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SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

DOCUMENTS DEPT.

AGENDA

SEP - 5 2003

REGULAR MEETING

SAN FRANCISCO
PUBLIC LIBRARY

September 9, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100, et. seq] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at: 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300, fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Approval of Minutes
 - a) Minutes of the March 21, 2003 Special Meeting
 - b) Minutes of the August 12, 2003 Regular Meeting
 - c) Minutes of the August 26, 2003 Regular Meeting
4. Communications
5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
7. Report of the General Manager
 - a) CIP Update (Kelly)
8. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

CONSENT CALENDAR

9. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.
- a) Staff Recommendation: Approve the plans and specifications for Contract No. CW-280, SEWPCP Building 840/860 Ventilation and Odor Control Improvements; authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$4,665,000.
 - b) Staff Recommendation: Approve the plans and specifications for Contract No. WD-2378, Potrero Heights Supply Line, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$2,674,750.
 - c) Staff Recommendation: Approve the plans and specifications for Contract No. WD-2407, McLaren Park Tank Outlet Modification and 24 Inch DIP from McLaren Park Tank to McLaren Park Pump Station, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$1,921,120.
 - d) Staff Recommendation: Approve the plans and specifications for Contract No. WD-2449, Summit Reservoir Seismic Retrofit and Improvements, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$9,857,000.
 - e) Staff Recommendation: Accept work performed for Contract No. WD-2359, Green Street 6 & 8-Inch Ductile Iron Main Installation, approve Modification No. 1 (Final) decreasing the contract by \$173,840, for a final contract amount of \$1,074,546, and authorize final payment of \$68,927 to J. Flores Construction, Inc.
 - f) Staff Recommendation: Approve the Rescission and Re-ratification of the Emergency Declaration for Repair of Early Intake Switchback Road to correct clerical errors that appeared in the prior resolution regarding the funding source and project number.

REGULAR BUSINESS

LEASES AND PERMITS

10. Discussion and possible action related to a permit with Juan Arias of Redwood City. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a permit with Juan Arias of Redwood City, to use approximately 4,089 square feet of SFPUC land located at the corner of Middlefield Road and Berkshire Avenue in Redwood City, to park his trucks for his landscaping business.

11. Discussion and possible action related to a First Amendment to Lease with Crystal Springs Golf Course, L.P. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a First Amendment to Lease with Crystal Springs Golf Partners, L.P. for the operation of public golf course and related facilities located in Burlingame, California. This First Amendment to Lease will modify the Base Rent and Percentage Rent portions of the lease, as well as the Security Deposit requirement and Capital Improvement Fund Contributions from the City.

CONSTRUCTION CONTRACTS

Award

12. Discussion and possible action related to Contract No. WD-2422. (Huey)

Staff Recommendation: Award Contract No. WD-2422, Alameda Portals Valve Upgrades, in the amount of \$957,496 to ProVen Management, Inc.

13. Discussion and possible action related to Contract No. WP-24. (Larramendy)

Staff Recommendation: Award Contract No. WP-24 Red Mountain Bar Bypass Valve and Generator Building, in the amount of \$299,280 to Mitchell Engineering.

CLOSED SESSION

14. Public comments on matters to be discussed in Closed Session.
15. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

16. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property: City of South San Francisco, at the corner of El Camino Real and Chestnut Ave., approximately 8+ acres.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions
17. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property: City of Fremont, between Canyon Heights Rd. and Deer Rd. near Niles Canyon, approximately 7.5 acres.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions
18. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property: City of Mt. View, running between Whisman Rd., approximately 7 acres adjacent to pipeline r/w.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions
19. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property: City of Sunnyvale, located off Manzano Way, .75-acre site adjacent to pipeline r/w.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

20. Announcement following Closed Session.

21. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
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SEP 24 2003

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 MINUTES

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ORDER OF BUSINESS:

1. Call to Order: 1:34 P.M.
2. Roll Call: Present – President E. Dennis Normandy, Commissioner Ann Moller Caen, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello

Excused - Vice President Ashok K. Bhatt

3. Approval of Minutes

Moved by Commissioner Costello, seconded by Commissioner Chen, to adopt the Minutes of the March 21, 2003 Special Meeting, the August 12, 2003 Regular Meeting, and the August 26, 2003 Regular Meeting; passed (4-0) unanimously.

4. Communications

No action taken.

5. Old/Ongoing Business by Commissioners

Commissioner Caen inquired if SFPUC had responded to Mr. Lawrence's letter. Ms. Patricia E. Martel, General Manager of Public Utilities, stated a draft had been prepared. She informed the Commission there was a Sunshine Ordinance hearing scheduled for today, in which all of issues raised to date by Mr. Lawrence would be addressed. She stated she would be present. She stated the communication had not been mailed pending any action required from the hearing that needed to be incorporated in the letter.

Commissioner Caen requested that the topic of water storage be placed on the Old/Ongoing calendar. Ms. Martel stated a revised follow-up report on storage issues was being prepared for the Commission for the end of September or beginning of October. *Commissioner Caen requested it be scheduled for the first meeting in October.* Ms. Martel agreed to calendar it for October 14.

President Normandy inquired if the first draft of the Strategic Business Plan (SBP) was on track for the end of October. Ms. Martel stated the SBP was originally supposed to be incorporated in the Performance Assessment. She stated due to the magnitude of the contract amount, a separate RFP was being developed and it was unknown how it would affect the timeline. She stated she would present a projection of whether the timeline could be met or revised. President Normandy stated the Commission would appreciate seeing drafts on an ongoing basis as it was an ongoing document.

President Normandy requested a progress report be prepared on the archival/preservation and historical education center by the next meeting.

President Normandy inquired if the next reservoir report would be in October. Ms. Martel responded that the report had been targeted for the end of September, but could be moved out to October 14 or 28.

President Normandy inquired if progress had been made on the complaints filed by Messrs. Altaha and Ammar. Ms. Martel stated she did not have a report on it, but that Mr. Harlan Kelly was responsible for the follow-up work on the complaints. *President Normandy requested Mr. Kelly report on the matter during today's meeting.*

President Normandy inquired if a response had been made to former Commissioner Yasim Salma's letter. Ms. Martel stated she had a copy of the letter for him.

6. Introduction of New Business by Commissioners

Commissioner Caen raised the topic of computer security after reading an article on safe computing practices in the *Sunday Times - Business Section*, which advocated that vital systems should not be linked to the internet and corporate system. She inquired if the SFPUC had such linkages.

Ms. Martel looked for Information Technology Services staff in attendance to address the issue. Seeing none, she stated a report would be prepared for the Commission for October.

President Normandy thanked Ms. Martel for providing the Commission with the *Watershed Volunteer Field Manual*. He stated it was an excellent piece and acknowledged it as a milestone. *He suggested that the volunteers for the watershed tours be included in the SFPUC annual employee recognition program for their service.*

President Normandy stated the Residential Users Appeals Board gained a new member in June, Mr. Tom Bressan. *He directed the Commission Secretary and staff to invite and make arrangements for Mr. Bressan to attend a future Commission meeting as a means of introduction.*

7. Report of the General Manager

a) CIP Update

Mr. Harlan Kelly, Jr., Assistant General Manager for Infrastructure, initiated his update acknowledging the support SFPUC had given him in his first 120 days in his efforts to deliver the Capital Improvement Program (CIP). His report covered 7

areas: 1) staffing, 2) planning, 3) project controls, 4) labor relations, 5) WIP contract, 6) additional activities, and 7) management of all CIP projects.

1. Staffing. Mr. Kelly stated SFPUC's workload would increase ten-fold, from \$30 million to \$300 million a year. This would result in increasing SFPUC and consultant staff.

He stated additional staff had been brought to the CIP: 8 people transferred from City Departments (CDs); 5 people were being hired for the Communications group; 1 training officer was hired, and another was to be hired; and 30 new SFPUC positions were in the process of being hired.

Mr. Kelly stated in delivering the CIP it was important to work with other CDs. He stated SFPUC was negotiating with City Planning to provide 3 planning positions that would focus on the CIP and with Department of Human Resources to get 3 positions solely dedicated for expediting the hiring process of engineers and inspectors. He stated the Human Rights Commission was taking the lead in drafting the regional outreach program and expediting and enhancing the local MBE/WBE program.

He stated SFPUC was partnering with Department of Public Works (DPW). Weekly coordination meetings convene to talk about promotional opportunities and career paths for engineers and to coordinate in their hiring. He stated as the CIP progresses, SFPUC and DPW would both be hiring and this needed to be coordinated.

Mr. Kelly stated support from DPW provided support staff, assisted in developing a program controls system, coordinated work through Work Orders, and participated together in Project Labor Agreement (PLA) negotiations with Local 21.

2. Planning. Mr. Kelly stated the original project schedules assumed that SFPUC would be doing individual Environmental Impact Reports (EIR) and there was no need for a programmatic EIR; however, it had become clear that an overall programmatic EIR was needed. He stated a programmatic EIR strategy was being developed and that efforts were being taken to minimize impacts on schedules, staffing and budget. He stated a Planning Liaison/Principal Engineer had been recruited to work with the Planning group and oversee the EIR activities. He announced Kathy How, from the Recreation & Park Department, formerly an Assistant City Engineer for 5 years and a 17-year City employee, had been hired for the position.

3) Project Controls. Mr. Kelly stated this was a major concern but progress had been made as a project controls system had been introduced and electronic timecards had been implemented. He stated the system was different than DPW's, because it was tied to a schedule, budgets and expenditures. He stated DPW had assisted with the system and would be working on implementing a similar system

for themselves. He stated it was exciting there would be one system that all CIP engineering could use and share resources. Mr. Kelly stated more detailed schedules were being worked on which provided more activities and the ability to do better planning. He stated all schedules and the project database had been converted to Primavera Enterprise, version 3 (P3e), a computerized tracking system, for future reporting and that reports would be generated from one system. He shared that the Annual Report to the State had been issued in P3e format.

4) Labor Relations. Mr. Kelly stated the first thing that was done was to work with the Local 21 Union. He stated the Joint Union City Committee (JUCC) was formed and was co-chaired by Jim Buker, SFPUC representative, and Lisa Feldstein, Local 21 representative and had a steering committee of 8 people; 4 from Local 21 and 4 from City management. He stated JUCC covered process improvement, staffing, performance recognition and work conditions. He stated they would give recommendations on the means for increasing productivity.

Mr. Kelly stated the JUCC mission was to be an innovative labor-management committee. It was formed to provide a forum for a team-based performance recognition program; staffing and contracting issues; process improvement teams; and issues regarding working conditions. He stated it would assist in the communication between staff and management. He stated the State and Federal Facilitation Services would provide training to the JUCC Steering Committee in how to conduct the JUCC.

Mr. Kelly informed the Commission that CDs and Local 21 were working on a PLA. He stated they had been meeting weekly since April to develop a Memorandum of Understanding (MOU) that was specific for the CIP, but would benefit all engineering departments. He stated it would allow management more flexibility and would improve labor relations. He also stated it would assure the success of the CIP and other major capital programs citywide. The agreement would formalize contracting procedures, increase departmental control of the selection process for permanent appointments and provide compensation structure for leadership and specialty assignments.

Mr. Kelly stated that SFPUC was working closely with CDs and Local 21 in response to the citywide lay-offs in the interest of minimizing possible layoffs in their represented classes. He stated SFPUC had absorbed 41 people into the CIP from other CDs where they faced layoffs.

5) Water Infrastructure Partners (WIP) Contract. Mr. Kelly stated the Board of Supervisors (BOS) approved the extension of the WIP Contract in April 2003. On August 20, 2003 the status report on the WIP Contract was delivered to the BOS Finance Committee. He announced that the 4th Audit Report was received September 8, 2003. He clarified it was the one that was missing as the 3rd and 5th audit reports had been received.

6) Additional Activities. Mr. Kelly stated that under AB 1823, State auditors were reviewing CIP reports and staffing to determine recommendations. He stated informal Saturday meetings had begun with CIP management staff to evaluate the organizational structure to build a high-performance organization. Mr. Kelly stated the CIP had been looking at working more closely and in coordination with Operations to ensure that the system delivered will operate. He stated the increase in staff would require supplemental workspace and the options were being explored. He stated commitment had been received from Congresswoman Loretta Sanchez, who sits on the Select Committee for Homeland Security, to look at funding to enhance the security measures for the water system.

7) Management of All CIP Projects. Mr. Kelly announced that Karen Kubick had resigned as Program Management Bureau (PMB) Manager in August and that Mr. Surinderjeet Bajwa was named Interim PMB Manager. Mr. Kelly concluded his update stating he was confident the CIP would be delivered on time.

President Normandy asked for comments or questions.

Commissioner Costello stated that a project labor agreement with the Building Trades Council (BTC) of San Francisco, San Mateo and San Jose, and throughout the entire Hetch Hetchy system had been in progress for 4 months. He stated he knew Ms. Martel and staff had been working 3-4 months putting it together and that the BOS was urging its completion. He stated that there was no way Local 21 would be on their own because they were an associate member of the San Francisco BTC. He stated the completed project labor agreement would include Local 21 as an associate member of the BTC as they were respected for their engineer profession. He stated when the agreement was finalized, the San Francisco BTC and all the others would be on board. He stated he would never support a motion for Local 21 going out on their own because they should be with the other 27 craft unions.

Ms. Martel responded that she thought there was somewhat of a misnomer with respect to what Mr. Kelly was referring to. She stated Mr. Kelly's PLA was the equivalent of an MOU and that it was an internal labor relations issue that was being negotiated in order to come to some agreement internally in the City labor relations environment about how best to approach certain issues that were going to effect Mr. Kelly's ability to deliver the CIP. She stated the MOU related to the work environment and assignments—things that were functions of internal City labor relations. She stated that anything that SFPUC would do would be consistent with its overall project labor agreements that would be negotiated specifically with the San Francisco BTC and counties where work would be done.

President Normandy thanked Ms. Martel for the clarification and for Commissioner Costello reminding everyone that there was the overall umbrella project labor agreement. He stated in the interest of clarity and elimination of misunderstanding,

that the agreement with Local 21 not be called a PLA and instead be called an internal MOU.

Mr. Kelly stated he agreed that it was inappropriate to call it a PLA; however, that was the name it was given. He stated it did allow the flexibility to hire through the civil service process without going through a long procedure. He stated he agreed that SFPUC needed to move quickly on the project labor agreement as it related to the San Francisco BTC.

President Normandy stated the outlined objectives were commendable, but wanted to make sure nomenclature would not be misrepresented to a point where controversy would arise. He stated the Commissioners had received representation from members of minority groups and local businesses requesting that consideration be given on the final PLA verbiage as had been done at City College where more emphasis for protections of City & County of San Francisco-based minority and local businesses were adequately put in. He stated for the record, the Commission wanted attention given to that. He stated if a draft came to the Commission absent the protection for CCSF local and minority businesses, the Commission would scrutinize it.

Commissioner Costello stated the language was covered under the project labor agreement and that it was an issue that rightfully needed to be addressed.

Commissioner Caen stated she was baffled when it was stated that an overall EIR needed to be done. She asked how it was different from ones done for each individual project. Mr. Kelly answered that the programmatic EIR would look at all the programs and their interrelationships to one another. He stated that EIRs with no impact were being moved forward, such as seismic strengthening and renovation of facilities. He stated the EIRs that were perceived to have impact, such as tunnels and dams, would also be moved forward but towards the end of the programmatic EIR. He stated these efforts were being made to minimize the impact on the schedule.

President Normandy stated Commissioner Caen's question raised the point that the programmatic EIR represented a shift from the original thinking. *He requested that the benefits for a programmatic EIR be given in a future report. He stated that articulation and enunciation of concrete benefits would be helpful as the paradigm shift should be addressed in depth.*

President Normandy stated the report highlighted the fact that the SFPUC was in the enviable position of increasing staff and generating jobs for the next 10-15 years. He further shared that the CIP was a benefit to the local economy and should take away fears current staff might have had about the safety of their employment. He also stated the report debunked any myths about privatization that had previously been raised.

Mr. Bajwa, stated he would present the second CIP Quarterly Status Report and announced there would be 3 quarterly reports and 1 annual report each year.

1. The Overview of the CIP Projects revealed there were no major changes except minor consolidation of projects. He stated 2 projects were added: 1) the East Bay Municipal Utilities District and SFPUC Intertie which would provide water in either direction in the event of facility failures, and 2) a desalination study for feasibility of constructing a seawater desalination plant.

Mr Bajwa stated the Cost Impact of the Regional Water was negligible at this time and was maintained at \$13.7 million. The Local Water had no impact and the cost of the 2 added projects was \$9.8 million. He shared that the progress for Regional Water was 0.17% and Local Water was 1.56% for an overall progress rate of 0.47%. He stated the progress was good and that it was being made in planning and areas where the credit was difficult to capture.

2. Mr. Bajwa reviewed the Project Starts by Phase 03-04. The Regional Projects had: 24 in planning, 1 completed; 18 in environmental review phase; 3 in design phase; and 2 in construction. The Local Projects had: 19 in planning, 9 completed; 16 environmental review phase, 9 completed; 11 in design phase, 3 completed; and 6 in Construction, 2 of which are being advertised at today's meeting.

3. Mr. Bajwa stated the first issue with the Projects in Planning was to agree upon the scope of the projects. He shared that 10 project scope definitions had been completed; the next 13 had been identified and teams were assembled with SFPUC and WIP staff; detailed schedules of current project phases for 47 projects were being developed; and an 18-month look ahead schedule was being developed.

Mr. Bajwa reviewed the Regional Water Projects. 1) The Calaveras Dam was near ready to sign the formal contract with URS for the alternative analysis. He stated there was new staff for the project implementation plan and that in a few months an RFP would be written for the project EIR. 2) The Bay Division Pipeline Capacity Upgrade had a draft of the alternative analysis report. An evaluation panel completed their review and a ranking of the alternative options was to be completed by the end of October. He stated an RFP needed to be done for the project EIR. 3) The Irvington Tunnel had a draft of the alternative analysis report. 4) The San Joaquin Pipeline #4 completed phase 1 for the needs definition and alternative identification and was embarking on phase 2 for the analyses of alternatives.

Mr. Bajwa reviewed the Local Water Projects. 1) The McLaren Tank and Summit Reservoir Seismic were items on today's agenda. 2) The Lincoln Way Transmission design would be completed by the end of September 2003. 3) Fire Protection at CDD facilities was being coordinated with the Fire Marshall to address their concerns before finalizing design. 4 & 5) Recycled water and ground

water planning has started. 6) Crocker Amazon Pump Station has had a 5-month delay in construction to pre-purchase a temporary pumping station trailer to operate during construction. 7) La Grande Tank Replacement has a 6-month delay in construction to address public comments on the design of the replacement tank aesthetics. SFPUC was in the process of completing the tank design with considerations made for community input.

President Normandy asked if the Planning Commission had approved it for moving forward. Mr. Howard Fung, Project Manager, stated the City Art Commission had approved the first and second phases of the project. He stated SFPUC was going back to the Recreation & Park Commission for their final approval before bringing it before the SFPUC Commission to advertise and award.

President Normandy inquired if the project was "far ahead" and had received other City agency's approval. Mr. Fung stated this was correct.

4. Mr. Bajwa reported that Program Change Controls and Document Management were in place. He stated that project change control procedures had been prepared. He stated that Document Hummingbird training had been completed, that document controls policies and procedures were continuing to be refined and that a Document Library system was established.

5. Mr. Bajwa stated in order to do projections and planning for the entire program required staffing. He stated a Staffing Plan had been developed and completed. He stated there were 3 RFP's for specialized services for Program/Project Controls and an As-Needed RFP for Geotechnical followed by Corrosion and Project Review Panel.

6. Mr. Bajwa reported good progress had been made in Procedures, which were now being handled at a programmatic level. In Engineering, 24 had been approved and 26 were being released for approval in the next 2 months. In Construction Management 8 had been approved and 2 were being approved. In Program Management/Controls 4 had been approved and 3 were being approved. He stated 15 additional procedures had been identified for development for PMB.

7. Mr. Bajwa recapped the Environmental Review stating by the end of September 2003, 1 RFP for programmatic EIR would be presented to the Commission. He stated there would be 5 RFP's in 03-04 for EIR and that there would be RFP's in 03-04 for negative declarations and categorical exemptions.

Mr. Bajwa summarized the second quarterly report in five points: 1) good progress was underway, 2) it was a good plan to execute, 3) there was good management with Mr. Kelly, 4) staff was trained, and 5) the right tools and procedures were in place. He concluded that the challenges were monumental, but staff was committed to perform and determined to deliver the CIP.

President Normandy thanked Mr. Bajwa for his report. *He stated in future reports he would like to see further elaboration relative to: 1) how the communications programs and outreach overall were being integrated, and 2) how the role of WIP was contributing to the overall effort. He suggested that the quarterly reports cover essential areas to be constructed in any order: 1) preparatory work; i.e., EIRs and approvals, 2) work actually in progress, 3) outreach and interaction with stakeholders in the form of in-depth progress reporting, 4) status of the budget, and 5) status of the schedule and time.* He stated it was important for the Commission to see the big picture and the details and to remember that the reporting was being done to the public through the Commission. He stated this in anticipation of questions from the public and the Commission.

Commissioner Caen stated she didn't understand the alternative analysis contracts under "Projects." She asked if alternative analysis was done on all the projects. Mr. Bajwa replied alternative analyses would only be done where it was deemed necessary. He stated staff would look at key projects in the regional water system and some smaller projects to determine if alternative analyses were needed.

Commissioner Caen asked if it was part of design. Mr. Bajwa answered that it was not part of design, but part of conceptual.

Commissioner Caen stated she was surprised that only 0.17% was underway for Regional Water. Mr. Bajwa stated that efforts were focused on the programmatic level at this time. He stated the reporting system went against the projects and that the progress Commissioner Caen referred to put all the projects and their progress together. He stated a lot of groundwork was not visible or counted as progress.

President Normandy stated he understood the program was in start-up mode and that progress was slow going, but that as it moved along, it would become faster. He commented that his earlier request for future reports was not meant as a criticism, rather that it would be easier for the Commission and public to understand the essential elements of the CIP and its progress through the suggested format.

Ms. Martel commented on the issue stating as the program ramps up, there would be volumes of information on all the topics. She stated today's report was concise but that they would become more extensive over time. She stated she was open to whatever direction the Commission wanted to give her and Mr. Kelly, with respect to the most critical issues to be handled in the updates so as not to present too much information and be overwhelming, but to focus on the areas of the program of most importance. She stated it could mean that Mr. Kelly's reports might focus on one set of issues one month and another set of issues the next month. She stated updating would become more time-consuming going forward.

President Normandy stated his request was in anticipation of Ms. Martel's comments. He stated as the program becomes more complicated and voluminous

it would be important to not lose focus in communicating with the Commission and public. He stated very clear and simple communications were essential for understanding the status of the CIP. He understood that there might be months when the report would only be able to focus on one area.

Commissioner Chen commented that he liked the way percentages were given on the projects progress. He asked if there was any way to format the percentages to have a comparison with the original CIP, or a comparison of where the program should be and whether it needs to be targeted.

Ms. Martel responded that it would be confusing to go back to the original CIP approved in May 2002 because many changes had been made in the year since its approval. She stated the changes would continue to happen as refinements of the program occurred.

Mr. Kelly pointed out that the current status was identified in the Quarterly Report, showing what the baseline was that had been approved and its current status. He stated the information for each project was included in the Quarterly Report as well as how much had been spent on each project. Mr. Kelly concluded that he would provide the Commission with the information and any updates.

Mr. Kelly stated that staff had met with Mr. Ali Altaha and heard some of his concerns. He stated he had met with him and would be meeting with him again. He stated he would issue a report on the findings in advance of the next Commission meeting.

President Normandy stated the Commission's interest was that fair hearings were given to persons making complaints and to SFPUC staff so each side had a chance to tell the Commission or the investigative body as to why their actions were taken.

8. Public Comments on matters not on today's agenda.

There were none.

CONSENT CALENDAR

9. Moved by Commissioner Chen, seconded by Commissioner Costello, to adopt the items (a-f) listed under the Consent Calendar; passed (4-0) unanimously.

Commissioner Caen suggested that a ceiling be placed on Consent Calendar items. She opined that any item over \$2 million should be considered first by the Commission for the reason that if there were a problem with an item, it should not go out for bid and through the procedure.

Ms. Martel stated the agency would be willing to adhere to a new policy, but emphasized that there would be an enormous number of contracts within that threshold. She stated it would make the agendas longer, particularly on items related to advertising.

President Normandy stated setting a ceiling was an excellent point, but the counterpoint was the need to help speed the processes along. He asked the Commission if they would consider asking staff to develop a list with pros and cons for \$2 million and \$5 million amounts, given the needs of the CIP. He stated a larger amount might allow a speedier process. Commissioner Caen stated she was not married to \$2 million.

President Normandy requested that by the next meeting, staff provide the Commission with a pros and cons list for setting a ceiling of \$5 million on Consent Calendar items.

- a) Resolution No. 03-0186: Approve the plans and specifications for Contract No. CW-280, SEWPCP Building 840/860 Ventilation and Odor Control Improvements; authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$4,665,000.
- b) Resolution No. 03-0187: Approve the plans and specifications for Contract No. WD-2378, Potrero Heights Supply Line, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$2,674,750.
- c) Resolution No. 03-0188: Approve the plans and specifications for Contract No. WD-2407, McLaren Park Tank Outlet Modification and 24 Inch DIP from McLaren Park Tank to McLaren Park Pump Station, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$1,921,120.
- d) Resolution No. 03-0189: Approve the plans and specifications for Contract No. WD-2449, Summit Reservoir Seismic Retrofit and Improvements, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$9,857,000.
- e) Resolution No. 03-0190: Accept work performed for Contract No. WD-2359, Green Street 6 & 8-Inch Ductile Iron Main

Installation, approve Modification No. 1 (Final) decreasing the contract by \$173,840, for a final contract amount of \$1,074,546, and authorize final payment of \$68,927 to J. Flores Construction, Inc.

- f) Resolution No. 03-0191: Approve the Rescission and Re-ratification of the Emergency Declaration for Repair of Early Intake Switchback Road to correct clerical errors that appeared in the prior resolution regarding the funding source and project number.

REGULAR CALENDAR

LEASES AND PERMITS

10. Discussion and possible action related to a permit with Juan Arias of Redwood City.

President Normandy stated the fee seemed modest for a large amount of space. Mr. Dowd, Manager of Real Estate Services, stated the space was 4,089 sq. feet, a little less than a standard residential lot. He stated the fee of \$15 sq. foot was determined by using the standard practice of looking at raw land sales in the vicinity and the 20% discount given for the pipeline right of way.

Moved by Commissioner Caen, seconded by Commissioner Chen, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0192: Authorize the General Manager of Public Utilities to execute a permit with Juan Arias of Redwood City, to use approximately 4,089 square feet of SFPUC land located at the corner of Middlefield Road and Berkshire Avenue in Redwood City, to park his trucks for his landscaping business.

11. Discussion and possible action related to a First Amendment to Lease with Crystal Springs Golf Course, L.P.

Mr. Dowd stated the lease with Crystal Springs Golf Course, L.P. had been in place since 1996 and that they were one of SFPUC's highest paying tenants. He stated he began discussions with Mr. Tom Isaak and Mr. John Telischak, general partners of Crystal Springs Golf Course, over a year ago when revenues were down and something needed to be done to make it a viable business transaction. He focused attention to language in the lease amendment that reduced the rent structure and allowed the SFPUC to participate in an upside potential should that occur, stating it was unknown how it would play out. He noted SFPUC had a 2-

year lease review, as requested by a Commissioner, which was Section 6 of the lease amendment. He stated SFPUC would be reviewing their performance in 2 years to determine whether or not they were entitled to another adjustment.

President Normandy stated the issue had been discussed in depth in Closed Session and the Commission had directed the Real Estate Services Manager to proceed with negotiations. He stated he understood that the resolution reflected the Commission's direction. President Normandy acknowledged the presence of Mr. Isaak, stating it was instrumental that Crystal Springs remain on track and a valuable tenant. He noted the environmental awards received and thanked him for his work, and stated the Crystal Springs Golf Course demonstrated that a public agency could own and manage a public golf course and protect its water.

Moved by Commissioner Costello, seconded by Commissioner Chen, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0193: Authorize the General Manager of Public Utilities to execute a First Amendment to Lease with Crystal Springs Golf Partners, L.P. for the operation of public golf course and related facilities located in Burlingame, California. This First Amendment to Lease will modify the Base Rent and Percentage Rent portions of the lease, as well as the Security Deposit requirement and Capital Improvement Fund Contributions from the City.

CONSTRUCTION CONTRACTS

Award

12. Discussion and possible action related to Contract No. WD-2422.

Mr. Calvin Huey, Regional Program Manager, described the project and availed himself for questions.

Commissioner Chen asked why the engineer's estimate was higher than the award. Mr. Huey stated SFPUC had to work with existing structures to pay for this type of new line valve bypass work. He stated seismic retrofit work involved more design efforts. Mr. Huey explained it was more cost effective to tear down and build anew than to deal with existing facilities to keep them operating and functional. He stated the existing vault was being expanded for the retrofit and had to conform to the original calculations while maintaining stability, structural safety and accepting the water design parameters.

Moved by Commissioner Caen, seconded by Commissioner Costello, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0194: Award Contract No. WD-2422, Alameda Portals Valve Upgrades, in the amount of \$957,496 to ProVen Management, Inc.

13. Discussion and possible action related to Contract No. WP-24.

Mr. Don Larramendy, CIP Liaison, described the project and gave some history of the area, noting that in November 2002 there was a leak on the San Joaquin pipelines. He stated the pipelines had been brought back into service and stated this facility and the project would raise the standards and the bypass would minimize the operations on the valve.

Commissioner Costello asked who would be performing the work. Mr. Larramendy stated Mitchell Engineering was the low bidder.

Commissioner Costello commented that there were 27 crafts within the BTC and the construction industry, and that Mitchell Engineering had been giving plumber's work to laborers for the last 2.5 years. He stated that Mitchell Engineering had to refund money through the City on two occasions because of this classification and this assignment of work. He stated the issue was being addressed legally. He stated the Commission should be notified of what craft is going to perform the work.

President Normandy raised the question of how enforcing liquidated damages could increase the cost of a project. He referred to the item which stated the \$76,000 increase between the engineer's estimate and the actual contract award amount was caused by 2 things: 1) the cost for the new generator control building, and 2) the effect of the large liquidated damages relative to the cost of the project.

Mr. Larramendy stated he'd asked a similar question and was told that what was being paid for was the contractor's ability to hedge their risk. He stated the liquidated damages were \$8,000 a day for avoidable delay to complete shutdown work within the specified time, plus an additional \$10,000 a day to provide emergency demolition in the case SFPUC needed to get out. He stated there were unknowns in the demolition. He stated the Red Mountain project, the O'Shaughnessy Dam project and the Priest Bypass project were under one shutdown umbrella, and if something happened on one of the upper projects, his understanding was that SFPUC would pay for that unknown.

President Normandy asked if they were in effect insuring against that loss. Mr. Larramendy stated he was not sure how they were dealing with it financially.

President Normandy stated it was interesting that a client could say liquidated damages were to be paid should the terms of the contract not be met and how it went back to the client's pocket. He noted it stated "\$76,000 differential" and that

he didn't know what part of the \$76,000 was for the new generator control building versus the increased cost of liquidated damages. Mr. Larramendy stated it was interesting, but could not answer with more detail.

President Normandy requested Mr. Larramendy look into the matter and advise the Commission through the General Manager as to how increased liquidated damages could affect the contract cost paid out of the pocket of the people who are issuing the contract.

Moved by Commissioner Costello, seconded by Commissioner Chen, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0195: Award Contract No. WP-24 Red Mountain Bar Bypass Valve and Generator Building, in the amount of \$299,280 to Mitchell Engineering.

CLOSED SESSION

14. Public comments on matters to be discussed in Closed Session.

There were none.

15. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Commissioner Chen, seconded by Commissioner Costello, to assert the attorney-client privilege; passed (4-0) unanimously.

President Normandy stated he had been advised by legal counsel to make a statement prior to Closed Session that the matters to be discussed in Closed Session would not be actual negotiations of contract terms, but direction from the Commission to SFPUC property negotiators in anticipation of the actual negotiation.

President Normandy called for a break at 2:52 P.M.

The Public Utilities Commission met in Closed Session at 3:07 P.M. to discuss the following matters:

16. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Present were President Normandy, Commissioner Caen, Commissioner Chen, Commissioner Costello, General Manager of Public Utilities Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Real Estate Services Manager Gary Dowd, and Bruce Lymburn – Wendel, Rosen, Black and Dean Attorney's at Law.

Property: City of South San Francisco, at the corner of El Camino Real and Chestnut Ave., approximately 8+ acres.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

No action was taken.

17. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Present were President Normandy, Commissioner Caen, Commissioner Chen, Commissioner Costello, General Manager of Public Utilities Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Real Estate Services Manager Gary Dowd, and Bruce Lymburn – Wendel, Rosen, Black and Dean Attorney's at Law.

Property: City of Fremont, between Canyon Heights Rd. and Deer Rd. near Niles Canyon, approximately 7.5 acres.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

No action was taken.

18. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Present were President Normandy, Commissioner Caen, Commissioner Chen, Commissioner Costello, General Manager of Public Utilities Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Real Estate Services Manager Gary Dowd, and Bruce Lymburn – Wendel, Rosen, Black and Dean Attorney's at Law.

Property: City of Mt. View, running between Whisman Rd., approximately 7 acres adjacent to pipeline r/w.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

No action was taken.

19. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Present were President Normandy, Commissioner Caen, Commissioner Chen, Commissioner Costello, General Manager of Public Utilities Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung,

SFPUC Real Estate Services Manager Gary Dowd, and Bruce Lymburn – Wendel, Rosen, Black and Dean Attorney's at Law.

Property: City of Sunnyvale, located off Manzano Way, .75-acre site adjacent to pipeline r/w.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

No action was taken.

Following the Closed Session, the Commission reconvened in open session at 3:14 P.M.

20. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

21. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Commissioner Chen, seconded by Commissioner Caen, not to disclose the discussions during Closed Session; passed (4-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 3:16 P.M.

Mary Y. Jung
Secretary



NOTICE OF PUBLIC HEARING

NOTICE OF PUBLIC HEARING FOR CONSIDERATION OF REVISIONS TO THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION LONG-TERM STRATEGIC PLAN, CAPITAL IMPROVEMENT PROGRAM AND LONG RANGE FINANCIAL PLAN

WILLIE L. BROWN, JR.
MAYOR

E. DENNIS NORMANDY
PRESIDENT

ASHOK KUMAR BHATT
VICE PRESIDENT

ANN MOLLER CAEN
JEFFREY A. CHEN
ROBERT J. COSTELLO

PATRICIA E. MARTEL
GENERAL MANAGER

Tuesday, September 23, 2003

1:30 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place
San Francisco, California

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AUG 22 2003

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SUBJECT OF PUBLIC MEETING

The San Francisco Public Utilities Commission will conduct a public hearing as part of their regularly scheduled meeting on Tuesday September 23, 2003 for the purpose of considering the proposed updated Long-Term Capital Improvement Program, updated Long-Range Financial Plan and Long-Term Strategic Plan for review and possible adoption.

BACKGROUND

In May 2002, the Commission adopted a Long-Term Strategic Plan, a Capital Improvement Program, and a Long-Range Financial Plan. At that time, the Commission also adopted a policy that these documents be updated and approved annually. A Charter amendment approved by the voters in November 2002, known as Proposition E, requires the Commission to annually hold public hearings to review, update and adopt these Plans. California Water Code section 73502(d) provides that the Commission may determine that completion dates for projects contained in the CIP should be delayed or that different projects should be constructed provided that the Commission provides written notice, not less than 30 days prior to the date of a meeting that a change in the program is to be considered. The notice shall include information about the reason for the proposed change and the availability of materials related to the proposed change. All wholesale customers shall be permitted to testify or otherwise submit comments at the meeting.

PROPOSED REVISIONS

Long-Term Strategic Plan

No changes are proposed at this time. The SFPUC is planning to develop a utility-wide strategic plan.

Capital Improvement Program

There were no major changes to the CIP Except as noticed below.

Project Consolidations

There were three project consolidations in the CIP:

- The Southeast Recycled Water was collapsed into Local Recycled Water Projects to reflect that all local recycled water projects will be funded from one source and considered on an equal basis.
- The Harry Tracy Water Treatment Plan Phase A and Phase B improvements includes filter bed upgrades and modification to the coagulation/flocculation systems, respectively. The improvements are one continuous project broken into two construction phases (thus the A and B); however, for environmental review and project management purposes, the phases have been combined into one project.
- The Calaveras Fault Crossing Project has been consolidated into the Irvington Tunnel Alternatives project.

New Projects Added to the CIP

There were two new projects added to the CIP:

- The EBMUD/SFPUC Intertie is a new project has been included in the CIP. This project will provide facilities for an Intertie between the East Bay Municipal Utilities District (EBMUD) and San Francisco's water supply systems. The Intertie will provide up to 45 million gallons per day (MGD) in either direction. The project will provide water to SFPUC and EBMUD in the event of major facility failures due to earthquakes and other disasters and during planned pipeline shutdowns of certain segments of the system for inspections and repairs.
- The San Francisco Public Utilities Commission, East Bay Municipal Utilities District (EBMUD), San Clara Valley Water District (SCVWD) and Contra Costa Water District (CCWD) are jointly undertaking a project to study the feasibility of constructing a seawater desalination plant.

Long-Range Financial Plan

The LRFP provides an estimate of revenue requirements and changes in customer rates that would result from meeting projected operating expenses, Repair and Replacement requirements, and financing the CIP over the next several years, all within the context of recent legislative actions and key financial policies adopted by the Commission in May 2002. Changes in the LRFP differ only slightly from that which was approved by the Commission in May 2002. These changes are attributable to slight adjustments to the scheduling of certain projects and do not reflect a significant change in project costs, financial assumptions or strategy.

AVAILABILITY OF DOCUMENTS

The updated documents can be accessed at www.sfwater.org or by contacting the Commission Secretary at 415/554-3165.

REQUEST FOR COMMENTS

All interested parties are invited to attend the public hearing and present their views. Persons who are unable to attend the public hearing may submit to the SFPUC, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the Commission and will become part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, CA 94103.

Mary Y. Jung
Secretary, Public Utilities Commission



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

DOCUMENTS DEPT.

AGENDA

SEP 19 2003

REGULAR MEETING

SAN FRANCISCO
PUBLIC LIBRARY

September 23, 2003
1:30 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Approval of Minutes
 - a) Minutes of the September 9, 2003 Regular Meeting
4. Communications
5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
7. Report of the General Manager
 - a) Federal Legislative Update (Owen)
 - b) State Legislative Update (Arena)
 - c) Lake Merced Update (Carlin)
 - d) SFPUC Watch (Martel)
8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report
 - a) BAWSCA Update (Jensen)
9. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

CONSENT CALENDAR

10. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.
 - a) Staff Recommendation: Award Contract No. CW-353, Oceanside Water Pollution Control Plant Digester Overflow Sludge Hoppers New Protective Coating, in the amount of \$108,800 to Redwood Painting Company.
 - b) Staff Recommendation: Approve resolution recognizing the work and contributions of Karen S. Kubick.

REGULAR BUSINESS

11. Public Hearing on the updated Long-Term Strategic Plan for Capital Improvements, Capital Improvements Program and Appendices, and Long-Range Financial Plan. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, CA 94103). (Carlin)
 - Staff Recommendation: Adopt the updated Long-Term Strategic Plan for Capital Improvements, Capital Improvements Program and Appendices, and Long-Range Financial Plan, and direct the

General Manager of Public Utilities to transmit said documents to the Seismic Safety Commission and the State Department of Health Services.

12. Discussion and possible action related to Memorandum of Understanding for the Sharp Park Recycled Water Project. (Carlin)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute the Memorandum of Understanding by and between the SFPUC and North Coast County Water District for Environmental Consulting Services for the Sharp Park Recycled Water Project.

LEASES AND PERMITS

13. Discussion and possible action related to a Revocable Permit to the City of Mountain View. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a Revocable Permit to the City of Mountain View for a portion of Public Utilities Commission pipeline right of way property to be utilized as a public pedestrian/bicycle trail in the City of Mountain View.

14. Discussion and possible action related to surplus properties. (Dowd)

Staff Recommendation: Adopt a resolution that (1) encourages the City's Board of Supervisors to adopt an ordinance to permit this Commission to retain jurisdiction over certain surplus properties with entitlement/development potential, (2) rescinds declarations of surplus property status for properties in Mountain View and Fremont, and (3) authorizes the General Manager of Public Utilities to issue developer solicitation and other documents relating to the possible entitlement and sale of SFPUC properties in South San Francisco, Mountain View, and Fremont, subject to Board of Supervisors approval.

15. Discussion and possible action related to a lease with Sunol Valley Golf & Recreation Company. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a lease with Sunol Valley Golf & Recreation Company for approximately 280 acres of SFPUC land located on a portion of Parcels 61 and 65 of Alameda County Lands, Sunol, California, for the continued operation of a public golf course and related facilities located in Sunol, California.

CONSTRUCTION CONTRACTS

Award

16. Discussion and possible action related to Contract No. WD-2309. (Huey)

Staff Recommendation: Award Contract No. WD-2309, Harry Tracy Water Treatment Plant Pre-chlorination System Upgrade, in the amount of \$577,900 to ProVen Management, Inc.

PROFESSIONAL SERVICE CONTRACTS

Advertise

17. Discussion and possible action related to Agreement No. CS-741. (Carlin)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for professional services Agreement No. CS-741, Regional Water System Improvement Program Environmental Impact Report; receive proposals for said services; conduct a selection process to identify the best qualified consulting firms; and return to the Commission for approval to negotiate and execute a professional services agreement.

CLOSED SESSION

18. Public comments on matters to be discussed in Closed Session.
19. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Milstein)

Existing Litigation: Fireman’s Fund Insurance Co. & Richard Dennes vs.
The City & County of San Francisco
Unlitigated Claim No. 03-00067.

21. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Milstein)

Existing Litigation: Snejana Dimitrova, Claim No. 04-00443.

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

22. Announcement following Closed Session.
23. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

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MINUTES

OCT 15 2003

September 23, 2003
1:30 P.M.

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City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 1:46 P.M.
2. Roll Call: Present – President E. Dennis Normandy, Vice President Ashok K. Bhatt, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello

Excused - Commissioner Ann Moller Caen

3. Approval of Minutes

Moved by Commissioner Costello, seconded by Commissioner Chen, to adopt the Minutes of the September 9, 2003 Regular Meeting; passed (4-0) unanimously.

4. Communications

No action taken.

5. Old/Ongoing Business by Commissioners

There was no discussion.

6. Introduction of New Business by Commissioners

Vice President Bhatt announced he was appointed by Governor Gray Davis to serve on the California Water Commission and that he had resigned from the SFPUC Commission as it presented a conflict of interest to serve on both. He thanked his fellow Commissioners and staff for their support during his 3 years of service.

Commissioners Chen and Costello and President Normandy expressed their pleasure in working with Vice President Bhatt and congratulated him in his new appointment.

7. Report of the General Manager

Mr. Harlan Kelly, Assistant General Manager of Infrastructure, handled this portion of the meeting in the absence of SFPUC General Manager Patricia E. Martel.

a) Federal Legislative Update

Mr. Darryl Owen, SFPUC Federal Legislative Lobbyist, stated he had to cancel his scheduled June briefing to the Commission because of pending business in the U.S. Senate on the comprehensive energy legislation and discussion on hydroelectric provisions. Mr. Owen updated the Commission on several areas.

Permitting Initiative: Mr. Owen reported progress had been made regarding permitting. He stated Ms. Martel had been to Washington, D.C. several times and that they had been working with various federal agencies, Congresswoman Nancy Pelosi's office and others in the California Congressional Delegation to establish a joint permitting office for the Capital Improvement Program (CIP). He stated the intent was to get all federal and state agencies under one roof to facilitate permitting SFPUC to reimburse costs for processing the necessary permits for the CIP. He stated Congresswoman Pelosi's office and the House Legislative Council had prepared draft language that Ms. Pelosi submitted to the House Transportation and Infrastructure Committee (HTIC). He stated when HTIC reported to the Water Resources Development Act earlier this year, they included in the Act a demonstration project specific to San Francisco authorizing SFPUC joint permitting authority and authorizing to reimburse necessary costs for processing its permits. He stated in so doing, SFPUC had established a model that others have begun to adopt. He noted Congressman Ken Calvert took SFPUC language verbatim for a CALFED bill. He stated the HTIC had not adopted a generic permitting process modeled on SFPUC, but that the idea put forth had been met receptively. He stated SFPUC had begun working with Senator Barbara Boxer's office and was hopeful that the SFPUC provision would be provided there. He stated the outlook was optimistic, that the initiative had been met with great receptivity and that it was hoped that it would be enacted into law in time to be of benefit to the CIP.

Comprehensive Energy Legislation: Mr. Owen stated the bill had passed the House and the Senate and was in conference committee and expected to emerge in the next 3-4 weeks. He stated the legislation left SFPUC alone where it wanted to be left alone, and therefore, would not be subjected to jurisdiction by the Federal Energy Regulatory Commission (FERC). He stated there would not be additional requirements put on hydroelectric facilities. He stated there were a number of provisions intended to facilitate electric transmission upgrades, and favorable tax treatment for new transmission upgrades, accelerated depreciation, favorable treatment of transfers and transmission assets, all of which were designed to increase investment in the transmission grid. He stated the provisions were particularly relevant to the Peninsula.

Desalination: Mr. Owen stated that the legislation reported by the House Committee contained \$4 million for a Bay Area Desalination project for SFPUC, Santa Clara Valley Water District and East Bay Municipal Utilities District (EBMUD).

Steelhead: Mr. Owen stated he'd been briefed by SFPUC staff on the Steelhead issue in the Tuolumne River. He stated the National Marine Fisheries Service opened a proceeding on listing steelhead as a threatened species that could possibly affect fish flows on the river. He stated the Modesto and Turlock Irrigation Districts were the principal parties that had interest in the proceeding and that SFPUC was beginning to monitor the proceeding in the event that it becomes a formal proceeding at the FERC.

b) State Legislative Update

Ms. Suzanne Arena, Manager of Government Affairs, provided a State Legislature quarterly update and addressed the bills SFPUC followed closely this year.

AB 1051 (Goldberg) – SFPUC-sponsored legislation: Ms. Arena stated the bill would resolve a dispute between the University of California and SFPUC regarding what could be included in the monthly utility rate. Ms. Arena stated, at the time of her last update, the Attorney General opposed the bill. Subsequently, an amendment was taken from the Attorney General and other groups to minimize the opposition, but opposition remained. She stated the Appropriations Committee, the Senate and the Assembly approved it. She stated the bill was awaiting the Governor's action and that the Mayor and SFPUC both had written letters to the Governor requesting his signature. She informed the Commission that the Governor had until October 12 to sign and veto legislation.

Electricity – Unrestructuring: Ms. Arena stated the Legislature was considering undoing some of the provisions they put into place in 1996 when they deregulated the electricity market. She stated they decided to put the legislation on hold until next year to consider it more thoroughly. She added that it would not directly impact SFPUC as a municipal utility, but it would be monitored.

Proposition 50: Ms. Arena stated the voters approved the measure in November 2002. She stated the Legislature was going to further define how the programs would work. She stated language had been included in the State budget that directed the State implementing agencies, including the Department of Water Resources, the Department of Health Services and the State Water Resources Control Board, to develop guidelines on how the programs would be implemented and how the funding was going to be distributed. She stated public meetings would be held before March 2004 and that SFPUC planned to be involved to make sure that details in the programs, such as caps on grants and geographically equitable distribution of funding, would benefit the SFPUC.

Ms. Arena cited other legislation SFPUC was following.

AB 83 – Bottled Water: EBMUD sponsored the bill that died during the final hours of the legislature.

AB 1685 – Self-Generation Incentive Program: Assemblyman Mark Leno sponsored this bill that relates to energy-efficiency programs administered by the California Energy Commission. Ms. Arena stated the bill was important to SFPUC as it would extend the self-generation incentive program that had provided funding for several SFPUC energy-efficiency projects and could continue to help with projects in the City. She stated the bill would extend the life of the program until 2008. She stated the bill was approved by the Legislature and was on the Governor's desk for signature.

President Normandy stated that the San Francisco Public Library was working with SFPUC on a \$1 million grant under the self-generation program. He suggested contacting the Library Commission to write to the Governor in support of the bill. Ms. Arena replied it was a good idea.

SB 18 – Native American Sacred Sites: Ms. Arena stated the bill would have added a procedure to the California Environmental Quality Act (CEQA) along with Native American tribes to determine whether a proposed project might adversely change a traditional tribal cultural or religious site and to recommend project changes and mitigation measures that would avoid or reduce the impact to the proposed site. She stated the bill died in the final hours of the Legislature and would probably return next year.

Ms. Arena reported there were a series of bills relating to the Quantification Settlement Agreement, an agreement between four Southern California water agencies on sharing the Colorado River, on how to allocate the water. She stated a last-minute package of bills was approved by the Legislature to implement the historic water-sharing agreement that was in dispute for decades. She stated the bill contained the details on how the four agencies would share the Colorado River water that would generally pay farmers to conserve irrigation water, give Los Angeles and San Diego more water for growth, and launch an ambitious plan on restoring the Salton Sea. She stated the bills were signed by the Governor but needed to be ratified by the four respective agencies, to be done this week.

Ms. Arena mentioned the Universal Health Coverage for all Employees bill by Senator Burton that would enact the Health Insurance Act of 2003. The bill would be for all California employees. She stated specifically it would provide health coverage to individuals by 2006 who work for large and medium employers and by 2007 for those working for small businesses. She stated the employer could either fund the coverage or the employer could opt to pay a fee to the State and the State would cover the health coverage. She stated this was important to San Francisco because the City provides high-level health care services and this would mean a savings to the City.

Ms. Arena stated the Legislature took some action on the Worker's Compensation Reform. She stated the fees for the system had skyrocketed and several bills were enacted to reduce the problem.

President Normandy inquired about the proposal to increase dam safety fees, stating he knew the Association of California Water Agencies (ACWA) had written a letter to the Legislature opposing consideration of the fee increases. He inquired if SFPUC was doing anything.

Ms. Arena stated SFPUC was taking a wait-and-see approach. She stated it had been budgeted and that the consensus of the industry associations, ACWA and California Municipal Utility Association, was for SFPUC not to resist. She stated

subsequently when the cost increase was determined people became concerned. She stated before the budget was adopted, the language was stripped, but the matter would not end there. She stated the Legislature had promised to come back and address the Dam Safety Program shortage. She stated SFPUC was organized with the industry associations to resist that but that nothing had been done. She stated a significant hole existed in the budget and the Dam Safety Program and that it was not funded. She stated it would have to be dealt with next year and that the cost increase appeared to quadruple.

President Normandy stated it should be kept on the to-do list.

c) Lake Merced Update

Mr. Greg Bartow, Groundwater Program Manager with the Planning Bureau, gave a brief update on Lake Merced issues regarding: 1) water additions and water levels, 2) ongoing work, and 3) interim plan development.

1. Mr. Bartow stated water was being added for 2 reasons: 1) to restore lake levels, and 2) to understand the volume of water needed to be added to achieve certain target goals as part of a scientific study. He stated 230 million gallons of water had been added to the lake in July and August this year, bringing the lake up to nearly 21 feet gage board and 2 feet over the July level. He stated this was the highest the lake had been, at this time of year, since 1987.

2. Mr. Bartow stated there were 3 issues with ongoing work. 1) SFPUC was analyzing the feasibility of raising the lake level by 2, 4, 6 and 8 feet. He stated an environmental and infrastructure evaluation on the levels was being done and that the draft report would be available in November. 2) SFPUC was studying the water sources of recycled water, treated storm water, groundwater and surface water and that a draft report was available. 3) SFPUC had a joint project with Daly City to look at using wetlands treatment along the Lake Merced shoreline to get additional treatment of storm water after it flows through the already existing storm water filtration system.

3. Mr. Bartow stated the public was concerned that SFPUC was moving too quickly by fast tracking the plans, but that it was desired to maintain the momentum that had moved the project forward. He stated an interim plan was proposed as a road map to the final plan for raising and maintaining lake levels. He stated a draft plan would be issued to the public in the next month outlining the goals for the next 4 years. He stated both public comment and the Commission's input would be sought over the next few months.

President Normandy called for public comment related to Lake Merced.

Public Comment:

Mr. Tim Colen, Chair of the Lake Merced Task Force (LMTF), commended Mr. Bartow for his work, noting that the fast tracking showed promise and signs of success. Mr. Colen stated the LMTF was a 30-40 member organization. He stated at their September 17 meeting, the LMTF adopted a resolution that recommended a lake level of 25-28 feet on the gage board. He stated there was a long history and evidence for that level as a public goal because it accommodated the desired beneficial uses. He referred to Mr. Bartow's report regarding identifying potential water sources to add to the lake such as treated storm water, surface water, Westside Basin Aquifer groundwater, and recycled water. He stated the sources had favorable attributes for restoring the lake level, but had significant drawbacks. He stated that a retired senior City Engineer attended a recent SFPUC meeting and identified the potential water source of conveying East Side groundwater along the Alemany corridor to the lake. Mr. Colen hoped this suggestion would be added to the potential water sources list and that funding be provided to study if it was a viable option.

Mr. John Plummer, Friends of Lake Merced (FLM), stated FLM was pleased with the progress at the lake and that a hydrogeologist was on staff. He wanted to correct a few impressions from Mr. Michael Carlin's August 26 report. He stated he gave a related letter to Commission Secretary Mary Jung for the Commission on FLM letterhead that had been reviewed, approved and supported by a number of other organizations. He raised 3 points.

1. In response to the "lake was at an all time high," he stated the lake does not look great and much work needed to be done to achieve the 25-28 feet lake level goal. In response to a lot of water being added to the lake, he stated in fact the source of water being added was not environmentally benign or sustainable. He stated so-called "system water" being added to the lake was taken from the Tuolumne River. He stated FLM had assured Tuolumne River Trust they did not support it as a long-term solution. Mr. Plummer stated the Westside Basin aquifer had been overdrafted and emphasis needed to be placed on restoring the aquifer. He stated when restored it would benefit Lake Merced, Pine Lake, other surface waters in the area, and would establish a resource of potable water for the community.

2. In response to "the community was satisfied with the reports made at the August 20th presentations," he responded that the reports were made but that there was limited time for questions, no time for discussion, and no one could really conclude anything about the community acceptance or rejection of what was presented. Mr. Plummer stated attachments to his letter contained comments from the Audubon Society, FLM, Committee to Save Lake Merced and Golden Gate Heights Association.

3. In response to the recycled water program referred to in the report, Mr. Plummer stated FLM was not well informed about that program and its provisions. He stated members had attended a workshop on the recycled water program and discovered that suggestions from the community were not considered in the report and that

actions that might benefit Lake Merced had been given a low priority. He stated the work done did not include community input.

In addition, Mr. Plummer stated the Board of Supervisors (BOS) recently adopted a precautionary principle policy as the official policy of the City. He quoted the policy, "one of the goals of the precautionary principle is to include citizens as equal partners in decisions affecting their environment....The community has the right to know complete and accurate information on potential human health and environmental impacts associated with the selection of products, services, operations or plans. The burden to supply this information lies with the proponent, not with the general public." Mr. Plummer suggested that if the community were a partner with the Planning Bureau for the monthly Merced Lake Update, the community wouldn't need to make a separate report to the Commission on their reaction to the report. He stated FLM was hopeful that steps be taken to assure that a partnership in which joint recommendations and reports could be presented could be affected.

President Normandy thanked Messrs. Colen and Plummer for their comments on Lake Merced, stating it was a departure from the process to include other speakers on the monthly Lake Merced Update. He stated it was not a negative reflection on staff, rather a responsible action to follow the BOS's precautionary principle policy. President Normandy stated the Lake Merced issue was one of the Commission's high priorities. He commended Mr. Bartow, Mr. Carlin and staff for their efforts and for allowing the public to participate in the process. He stated SFPUC did not want to give the public an established plan absent their input. He emphasized teamwork was elemental and that the Commission needed to be aware of the full panoply of opinion regarding Lake Merced.

d) SFPUC Watch

Mr. Michael Carlin, Manager of Strategic & Systems Planning, reported that SFPUC had been engaged in conversations with a new group of community and other stakeholders about the CIP. He identified the groups under the banner of SFPUC Watch as Alameda Creek Alliance, Alliance for a Clean Waterfront, Alameda Creek Fisheries Work Group, Clean Water Action, Environmental Defense, Environmental Water Caucus, Friends of Lake Merced, Golden Gate Audubon Society, League of Women Voters of San Francisco, Restore Hetch Hetchy, San Francisco League of Conservation Voters, Sierra Club - California Chapter and 3 local chapters, San Francisco Planning and Urban Research, and Tuolumne River Trust. He stated there had been 3 meetings in which discussions addressed what the CIP is, what is trying to be achieved, and how the system operates. He stated SFPUC wanted community involvement from the beginning of the process to assist the agency in formulating the plans, designs, and construction. He stated it was the intention to give SFPUC Watch agenda time in a future Commission meeting to present what they were hoping to achieve and how they could partner with SFPUC to improve the CIP.

President Normandy praised Mr. Carlin on taking the approach of the SFPUC doing business in partnership, noting the inclusion of BAWUA/BAWSCA on SFPUC's open agenda to directly present their opinions and concerns.

Mr. Kelly concluded the General Manager's Report by thanking Vice President Bhatt for his personal encouragement and support and wished him well.

8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report

a) BAWSCA Update

Mr. Art Jensen, BAWSCA General Manager, congratulated Vice President Bhatt on his new position. He stated his update was brief and that he would make comments about the CIP during the public hearing.

Mr. Jensen commented, in relation to Mr. Owen's report, that the Contra Costa Water District was successful in having a well-managed permitting process through the participation of federal and state agencies when they built a dam. He commented that the outreach work with environmental communities in SFPUC Watch would get the issues out sooner than later. He stated BAWSCA had been approached by environmental communities also, but was not certain there would be a BAWSCA Watch. He stated, related to this, that BAWSCA had a number of issues and that they were prepared to address them.

Mr. Jensen announced BAWSCA would have its third board meeting on September 24. He stated he would report on today's CIP public hearing at the meeting. He noted that tomorrow was the one-year anniversary of Governor Gray Davis signing the bill that enabled the existence of BAWSCA. He stated BAWSCA was pleased with their and SFPUC's progress in the past year.

9. Public Comments on matters not on today's agenda.

Mr. Ali Altaha, ARA Engineering Group, stated his appreciation for Vice President Bhatt, agreeing with President Normandy's statement that "we have not lost a colleague; we have gained a friend in Sacramento." He stated a small reception for Vice President Bhatt and the Commission was being planned for some time in the next couple of weeks.

CONSENT CALENDAR

10. Moved by Commissioner Chen, seconded by Vice President Bhatt, to adopt the items (a-b) listed under the Consent Calendar; passed (4-0) unanimously.

- a) Resolution No. 03-0196: Award Contract No. CW-353, Oceanside Water Pollution Control Plant Digester Overflow Sludge

Hoppers New Protective Coating, in the amount of \$108,800 to Redwood Painting Company.

- b) Resolution No. 03-0197: Approve resolution recognizing the work and contributions of Karen S. Kubick.

REGULAR CALENDAR

11. Public Hearing on the updated Long-Term Strategic Plan for Capital Improvements, Capital Improvements Program and Appendices, and Long-Range Financial Plan.

Mr. Carlin stated the proposed actions on the item were to: 1) adopt the updated CIP, 2) adopt the updated Long Range Financial Plan (LRFP), 3) approve the CIP Annual Report, and 4) provide direction to the General Manager for transmittal to the State and other parties of any amendments from today's meeting.

Mr. Carlin provided a framework for the actions: 1) Local Proposition E, passed November 2002, requires an annual update. The update has no specific due date. 2) AB 1823 requires notification and justification for deletions. 3) SB 1870 requires notification of the use of Regional Financing Authority (RFA). Mr. Carlin stated SFPUC needed to report to the State every year that it was using the RFA or how it intended to use it.

Mr. Carlin reviewed the requirements. 1) SFPUC sent out an extensive public notice to explain to the public in receipt of the notice what changes were made and why. 2) The annual report included all the changes relating to deletions and schedule modifications. 3) AB 1823 identified 9 specific projects to track and to inform the public on the progress on the projects.

Mr. Carlin stated the Annual Report addressed several areas: 1) environmental and regulatory permitting, 2) staffing plan, 3) union and management partnering, and 4) internal improvements in the contracting process.

Mr. Carlin noted the most important for the Commission to be aware of were the CIP changes. He stated that projects had been consolidated as an efficiency mechanism and elaborated on three consolidations. The first was two projects for recycled water; one was "Recycled Water," the other was "Southeast Recycled Water." He stated all San Francisco recycled water projects were going to be funded from the same fund; therefore, the two projects were put together. The second was the Harry Tracy Water Treatment Plant that had a phase A and phase B. He stated it was the same project and the phases were consolidated allowing Mr. Kelly to manage the project in a different way. The third was the Calaveras Fault Crossing, one of the 9 projects identified in AB 1823. He stated the scope had been collapsed into the Irvington Tunnel alternatives project. He stated the project had not been lost in the tracking system, but had been reported to the State

as being part of a different project whose scope had expanded to take into account the Calaveras Fault Crossing.

Mr. Carlin also identified new projects placed in the CIP. The first was the EBMUD/Hayward/SFPUC Intertie. He stated the project was ongoing and had been placed in the CIP to use capital funds to complete construction of the project. The second project was a desalination program that SFPUC was working on with other Bay Area utilities. He concluded these were the major CIP changes.

Mr. Carlin stated he had an amendment to the LRFP and that tables were distributed to the Commission and available to the public to substitute into the LRFP as errors were found. He stated they did not change the conclusions in the LRFP. He urged the Commission to adopt the CIP Annual Report and Update, the LRFP as amended with the corrected tables and to give direction to the General Manager to transmit the changes to the State and other stakeholders.

President Normandy called for public comment.

Public Comment:

Mr. Steve Lawrence, San Francisco resident, voiced concern about the CIP, stating he thought there was wishful thinking going on. He referred to schedules of major projects that should have been completed by now, stating the planning reports had not been accomplished, but instead the monthly deliverables data from the WIP monthly report were dropped so it could no longer be seen that a certain engineering report was expected next month. He noted dates that had slipped 18 months were now the same as those in the CIP adopted in May 2002. He stated on the one hand, there was no or slow progress on producing the engineering reports needed for planning reports, and on the other hand, the schedule was being accelerated and that this did not make sense. He cited two projects.

Mr. Lawrence stated the Irvington Tunnel reports had not come out, but information stated it was in the environmental process and would be done by June 2004. He stated it was not yet known if the tunnel was going to be built and questioned if the tunnel had been inspected since it was deemed critical in April 2002, the date of its last major report. He stated the environmental process was underway but it seemed SFPUC didn't know what it was doing. He stated there were many unknowns about the Calaveras Dam as to its size, location and construction. He stated there were 2 engineers who disagreed whether liquifaction would occur in the dam foundation and that there had been no reports on the Calaveras Dam in the last 6 months. He stated the CIP document up for adoption showed the project went into environmental review in April to be done June 2004, yet it was unknown what the dam would really be.

Mr. Lawrence urged the Commission to set goals and monitor the goals. He stated deliverables information should not be dropped out of reports. He opined that by

setting goals, the Commission could monitor to ensure that progress was being made to successfully implement the CIP on time and on budget.

President Normandy asked Mr. Lawrence if he had received a response to his correspondence to the Commission, which was referred to staff for response due to the technicalities involved. Mr. Lawrence stated he had not.

Ms. Jennifer Clary, SFPUC Watch for Clean Water Action and Chair for Alliance for a Clean Waterfront (ACW) – a coalition of 16 community and environmental organizations interested in changing San Francisco water treatment, stated ACW was pleased that General Manager Martel recognized the shortcomings of the Clean Water Program (CWP) of the CIP and removed it from the 2002 bond measure. She stated ACW had several meetings with Ms. Martel and provided her with written comments last week. She noted 16 months had passed since the bonds were removed from the program, 10 months since the bonds were passed and at this date, there was no draft public process for the creation of the CWP. She stated ACW was concerned with the lack of progress, noting that the CIP was moving forward and that there were many areas in which the CWP and CIP would interact. She gave the example of recycled water being funded in the CIP, but how it was integral to CWP. She stated one of the goals in the recycled water program was to maximize use of existing facilities, one being the Southeast Treatment Plant. She expressed knowledge that SFPUC was overloaded, but urged that the necessary resources to get the CWP on track be provided.

Mr. Jeff Marmer, Coalition for Better Waste Water Solutions and ACW, stated he was requesting the CWP process be jumpstarted as it was far behind and the system needed fixing. He stated one of the reasons a new CWP master plan was needed was because the old Long Term Strategic Plan did not meet the community goals of environmental justice, sustainability and cost effectiveness. He stated the entire system of water and energy and placement of facilities was interconnected. He stated sending 100% of the sewage to the Bayview, 80% of the City's total, would no longer be tolerated. He stated the process of redistributing the burden would require the involvement of everybody in the City and that redistribution would require a master plan. He identified repair and replacement projects that offered opportunities to take storm water out of the system for other uses. Mr. Marmer urged the Commission to provide Ms. Martel with the resources to take on the process.

Mr. Chris Buck, Friends of the Urban Forest education coordinator, ACW and Bayview resident, urged the Commission to move forward with the development of a new CWP master plan to upgrade and modernize San Francisco's sewage and storm water infrastructure. He stated his organization was excited to play a part in educating the public about the planning process with ACW as it was a great opportunity to use storm water and wastewater as resources. Mr. Buck stated green solutions could reduce combined sewer overflows in the Bayview and could beautify the entire City.

Mr. Dave McKee, teacher, community organizer and San Francisco Bay/Pacific Ocean sports activist, stated he was concerned about sewer overflows. He stated they happen on the streets and sidewalks during the dry and wet seasons and on the beaches and the Bay during the wet season. He urged the Commission to get the CWP master plan process underway to take care of these problems in a participatory manner with public input. He stated for environmental justice reasons, it was no longer an option to put everything in the Bayview. He stated a technical review committee that convened several years ago had formulated good ideas. He stated he would like to see the committee's and community members' input included in the CWP master planning process. He opined when the system was upgraded it not just be repaired but modernized and improved. He stated Bayview and all San Francisco residents deserved better, noting the odor in the City impacted everyone's quality of life and the image of San Francisco.

Ms. Lisa Feldstein, policy analyst for Professional & Technical Engineers, Local 21, stated Local 21 supported Mr. Kelly at the helm of the CIP. She referred to Mr. Carlin's presentation stating Local 21 was disappointed that the new priorities did not reference the reliability study undertaken by SFPUC staff in consultation with Bechtel and other consultants several years ago. She stated Local 21 reviewed and evaluated the materials and determined the priorities set in the study were sound. She noted the list of priorities as given in the CIP did not always correspond in their entirety to the reliability study. She encouraged the Commission to take another look at the reliability study and work with staff on the priorities within the constraints the State placed on SFPUC. She concluded the water system would be the better for it.

Mr. Jensen stated BAWSCA had submitted written comments to SFPUC. He chose not to read them, but made some introductory comments.

Mr. Jensen recognized that significant efforts had been made. He referred to Mr. Kelly's September 9 report and stated he would make comment about monitoring progress. He stated he met with Mr. Carlin and discussed what the CIP looked like in 1996, commenting it was a primitive document compared to the current one. He stated there were a variety of questions, one already raised about project schedules. He noted additional studies had been done, one being phase 3 of the reliability study; that there was a change in the approach to the environmental reporting, analysis and permitting process; and that there were good ideas about coordinating projects. He stated it was not clear to BAWSCA at this time how much the ideas had been incorporated in the CIP, but that BAWSCA wanted to see the ideas incorporated as the CIP was a living document. He stated some of the ideas related to smaller less expensive projects that might increase reliability, but it was uncertain if they had been incorporated.

Mr. Jensen stated BAWSCA had concern with policy issues. He stated the question still remained, Could the City of San Francisco get the massive job done? He stated it was a fact people wonder about. He stated BAWSCA suggested using

some methods of reporting and monitoring, one being to include monthly reports and report all changes in cost regardless of size. He stated the Commission might want to set thresholds for delegating authority in order not to approve every cost change, and asked if they would be setting a percentage or a dollar amount for delegating that authority. He stated reporting cost-changes was important given the size of the overall program. He stated another form of progress reporting related to improving reliability and decreasing the vulnerability of the system. He stated the projects should be identified as to what impact they have on reliability and that one way to measure progress was by reduction in vulnerability. He shared this was a way for the Commission to demonstrate success and to let others know.

Mr. Jensen stated Mr. Kelly reported on hiring new staff. He noted the schedule appeared different than the original schedule for increasing staff and asked if there was a revised schedule and a plan. He asked if the people being brought from other departments subject to layoff were qualified to do the work that needed to be done. He requested staff address this question for both SFPUC and BAWSCA.

Mr. Jensen stated his third question related to working with the SFPUC staff to address BAWSCA's future needs for planned growth. He stated this was reflected in the adopted Long Term Strategic Plan, not under revision at this time. He stated the work BAWSCA had done to date on projects, suggested continuing doing it the same way and to explore alternatives. He stated he received comments from Ms. Martel last week that made him wonder about the intentions of these projects. He asked if the Commission was changing its commitment to work with BAWSCA on addressing those future needs. He clarified that "future needs" did not mean supply, rather that BAWSCA was seriously looking at conservation reclamation and bringing balance to the solution.

Mr. Jensen concluded that BAWSCA had written a response regarding the CIP update and hoped for a reply from Ms. Martel.

President Normandy provided a recap, addressing the points raised by the public speakers. He stated the Commission agreed with the 4 speakers who addressed the issue of the Southeast Treatment Plant and the CWP master plan, acknowledging the SFPUC had a full plate, but that this did not change the Commission's commitment to accelerate the work needing to be done. He pointed out the fact that the rate freezes of the past financially impacted the CWP and that it was important to remove the CWP from the CIP to more fairly, and with social justice principles, address its needs. *President Normandy directed Ms. Martel provide the Commission an update by the next meeting on a proposed realistic timeframe and cost analysis for accelerating the CWP master plan.* He invited the public speakers to attend the next meeting for the update addressing the issues raised.

President Normandy stated Ms. Feldstein's point, echoed by Mr. Jensen, on the reliability study was well taken. For Mr. Jensen, he clarified that the Commission at

the last meeting counseled staff to make sure that monthly CIP updates inform the Commission on where progress was being made, where reliability was being increased and vulnerability decreased. He stated the updates should provide the means on a monthly basis for determining the financial status and schedule of each of the CIP projects.

President Normandy stated he was aware Ms. Martel was drafting a point-by-point reply to Mr. Lawrence on the issues he raised. He stated his issues raised today were new and should be factored into staff's thinking.

President Normandy asked Mr. Carlin and Mr. Kelly what the impact would be to the Commission if they did not make a decision on the item today.

Mr. Carlin stated there would be no impact if the Commission did not take an action as the SFPUC had already reported to the State. Mr. Carlin stated that President Normandy brought up several points he wanted to reiterate and/or clarify. 1) A report on the CWP master plan process was requested for the next meeting. 2) A draft report on the reliability study, phase 3, was reviewed internally with SFPUC staff and BAWSCA representatives that contained a matrix table and was in the process of being finalized. 3) The CIP could be updated as a living document. 4) The CIP monthly report to the Commission was Mr. Kelly's responsibility. 5) A reply to Mr. Lawrence would be done by the next meeting. Mr. Carlin concluded by recommending the Commission continue the item to the next meeting to allow for responses to issues raised.

President Normandy stated it was prudent and productive to factor in the comments made and to ensure that everyone was of the same understanding.

Mr. Carlin stated he wanted to read Mr. Jensen's letter and incorporate it into the record as well as Mr. Lawrence's letter and make sure the issues raised were addressed as part of the record.

President Normandy announced that the item would be continued to the next regularly scheduled meeting to factor in the comments and direction the Commission gave staff.

Moved by Commissioner Costello, seconded by Commissioner Chen, to continue Item 11 to the next regular Commission meeting scheduled on October 14, 2003; passed (4-0) unanimously.

Staff Recommendation: Adopt the updated Long-Term Strategic Plan for Capital Improvements, Capital Improvements Program and Appendices, and Long-Range Financial Plan, and direct the General Manager of Public Utilities to transmit said documents to the Seismic

Safety Commission and the State Department of Health Services.

12. Discussion and possible action related to Memorandum of Understanding for the Sharp Park Recycled Water Project.

Moved by Vice President Bhatt, seconded by Commissioner Chen, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0198: Authorize the General Manager of Public Utilities to execute the Memorandum of Understanding by and between the SFPUC and North Coast County Water District for Environmental Consulting Services for the Sharp Park Recycled Water Project.

LEASES AND PERMITS

13. Discussion and possible action related to a Revocable Permit to the City of Mountain View.

Moved by Commissioner Chen, seconded by Vice President Bhatt, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0199: Authorize the General Manager of Public Utilities to execute a Revocable Permit to the City of Mountain View for a portion of Public Utilities Commission pipeline right of way property to be utilized as a public pedestrian/bicycle trail in the City of Mountain View.

14. Discussion and possible action related to surplus properties.

Mr. Gary Dowd, Manager of Real Estate Services, stated the item would be taken to the BOS for their approval before documents were released.

President Normandy stated the materials were complete and called for public comment.

Public Comment:

Mr. Jensen inquired if there was a full inventory of all the properties along the regional water system and if the actions in the item had been coordinated with the CIP to ensure there was no value to the properties for staging during construction, etc. Mr. Dowd stated that all the properties had been passed through SFPUC engineering to confirm that they were not needed.

President Normandy reiterated that Mr. Dowd and staff were assured that the properties were not necessary for staging or storing any related work to the CIP. Mr. Dowd stated SFPUC engineers assured him that they were not needed. Moved by Commissioner Chen, seconded by Vice President Bhatt, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0200: Adopt a resolution that (1) encourages the City's Board of Supervisors to adopt an ordinance to permit this Commission to retain jurisdiction over certain surplus properties with entitlement/development potential, (2) rescinds declarations of surplus property status for properties in Mountain View and Fremont, and (3) authorizes the General Manager of Public Utilities to issue developer solicitation and other documents relating to the possible entitlement and sale of SFPUC properties in South San Francisco, Mountain View, and Fremont, subject to Board of Supervisors approval.

15. Discussion and possible action related to a lease with Sunol Valley Golf & Recreation Company.

Mr. Dowd stated the Sunol Valley Golf & Recreation Company had been a long-term tenant since 1965 and that Messrs. Ronald Ivaldi and Brian Richardson of the company were present. He stated SFPUC had been working with them for several years to come up with a plan that was mutually beneficial. He apprised the Commission of some problems on the property, one being a gas fuel line on the property that was in jeopardy of being damaged by runoff. In total, he stated, \$2.1 million was needed to correct the problems and that the lessee would be responsible for the improvements. He stated the item clearly defined the terms and conditions of the lease.

President Normandy thanked Mr. Dowd and City Attorney Joshua Milstein for their meticulous work on the matter. For the record, he thanked and extended appreciation to Mr. Dowd for his continuing work in Real Estate Services and the monetary gains. He acknowledged Messrs. Ivaldi and Richardson and Ms. Denise La Pointe for their partnership with SFPUC and the opportunity to extend the lease.

Moved by Commissioner Costello, seconded by Vice President Bhatt, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0201: Authorize the General Manager of Public Utilities to execute a lease with Sunol Valley Golf & Recreation Company for approximately 280 acres of SFPUC land located on a portion of Parcels 61 and 65 of Alameda County Lands, Sunol, California, for the continued

operation of a public golf course and related facilities located in Sunol, California.

CONSTRUCTION CONTRACTS

Award

16. Discussion and possible action related to Contract No. WD-2309.

Mr. Calvin Huey, Regional Program Manager, stated the contract work would relocate the existing system from the basement to a new concrete prefabricated structure and would provide secondary containment piping and ease of access for personnel. He shared that the consultant engineer's estimate was \$380,000 and was being awarded for \$577,900. He stated the cost control section's cost estimating group performed an independent review of the consultant engineers' estimate and the contractors bid to understand the cost variance. The group determined that the consultant engineers' estimate variance was based on incorrect costs for mechanical equipment and installation work associated with civil and electrical components of the project.

President Normandy asked Mr. Huey to expound on the \$198,000 discrepancy between the original estimate and the work. Mr. Huey stated the variance in the mechanical equipment was \$108,000. He further detailed that the engineer's estimate specified a certain type of pump, but the actual cost for the pumps in the plan's specifications was much higher. The insulation work was \$60,000. He stated the engineer's estimate did not include the price for the demolition or site grading work at the contract structure and that the electrical components for the insulation work were underestimated for the labor associated with the work. He stated these were the reasons for the \$198,000 discrepancy.

President Normandy inquired if there were processes in place that could prevent estimate discrepancies of such great amounts in the future. Mr. Huey stated there were procedures in the CIP that were formulated between Planning and various departments. He stated there was a Quality Assurance/Quality Control (QA/QC) section being handled by Mr. Michael Quan, UEB Manager, to ensure that the review of the estimates complied with estimates and constructability. He stated staff were aware of the procedures and were following the practices to ensure that discrepancies such as this don't happen.

President Normandy stated a large discrepancy such as this would normally cause the Commission to deny approval on projects. He stated he understood the rationale provided and that as long as it didn't continue in the future, he supported approving it.

Commissioner Chen stated he concurred with President Normandy and had qualms about approving the item. He inquired if there was a system in place to

make sure that estimates were made correctly. Mr. Kelly reiterated that the QA/QC process and review of estimates were being instituted. He stated more third party review of estimates would be done as well.

Moved by Commissioner Costello, seconded by Commissioner Chen, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0202: Award Contract No. WD-2309, Harry Tracy Water Treatment Plant Pre-chlorination System Upgrade, in the amount of \$577,900 to ProVen Management, Inc.

PROFESSIONAL SERVICE CONTRACTS

Advertise

17. Discussion and possible action related to Agreement No. CS-741.

President Normandy stated the item was clear, but asked Mr. Carlin to make his presentation.

Mr. Carlin stated the item addressed a programmatic Environmental Impact Report (EIR) for the regional water system that would address the system-wide objectives. He stated it did not include projects in San Francisco that were not part of the regional water system, explaining those would be done separately as individual projects. Mr. Carlin stated a programmatic EIR would address the "big picture" issues of: 1) water supply approach and resource management, 2) environmental and engineering alternatives, 3) cumulative effects, and 4) growth inducements and secondary effects from expanding the system. He stated it would provide a foundation for future CEQA documents on specific projects.

Mr. Carlin stated that the programmatic EIR would provide an overview of future projects and would frame potential impacts and mitigation; therefore, the programmatic EIR would need to be adopted before any of the project-specific EIRs. He stated the programmatic EIR would streamline future CEQA review of projects as the "big picture" issues would have been addressed and analysis of specific projects could be done. Mr. Carlin provided a draft list of the proposed regional projects for the next 9 months, noting the Irvington Tunnel in November, the Calaveras Dam in December, the BDPL Upgrade in January and the San Joaquin Pipeline #4 in March.

President Normandy thanked Mr. Carlin for the facts about the Calaveras Dam, the Irvington Tunnel and other projects, noting staff had a clear picture of the status of projects and what needed to be done.

Moved by vice President Bhatt, seconded by Commissioner Chen, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0203: Authorize the General Manager of Public Utilities to advertise and request proposals for professional services Agreement No. CS-741, Regional Water System Improvement Program Environmental Impact Report; receive proposals for said services; conduct a selection process to identify the best qualified consulting firms; and return to the Commission for approval to negotiate and execute a professional services agreement.

CLOSED SESSION

18. Public comments on matters to be discussed in Closed Session.

There were none.

19. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Commissioner Chen, seconded by Commissioner Costello, to assert the attorney-client privilege; passed (4-0) unanimously.

The Public Utilities Commission met in Closed Session at 3:26 P.M. to discuss the following matters:

20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Milstein)

Present were President Normandy, Vice President Bhatt, Commissioner Chen, Commissioner Costello, SFPUC Assistant General Manager Harlan Kelly, Commission Secretary Mary Y. Jung, and Deputy City Attorney Joshua Milstein.

Existing Litigation: Fireman's Fund Insurance Co. & Richard Dennes vs. The City & County of San Francisco
Unlitigated Claim No. 03-00067.

Moved by Commissioner Chen, seconded by Commissioner Costello, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0204

21. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Milstein)

Present were President Normandy, Vice President Bhatt, Commissioner Chen, Commissioner Costello, SFPUC Assistant General Manager Harlan Kelly, Commission Secretary Mary Y. Jung, and Deputy City Attorney Joshua Milstein.

Existing Litigation: Snejana Dimitrova, Claim No. 04-00443.

Moved by Commissioner Chen, seconded by Commissioner Costello, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0205

Following the Closed Session, the Commission reconvened in open session at 3:26 P.M.

22. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

23. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Bhatt, seconded by Commissioner Costello, not to disclose the discussions during Closed Session; passed (4-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 3:27 P.M.

Mary Y. Jung
Secretary



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

DOCUMENTS DEPT

AGENDA

OCT 10 2003

REGULAR MEETING

SAN FRANCISCO
PUBLIC LIBRARY

October 14, 2003
1:30 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ann Moller Caen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Discussion and possible action relating to the election of Vice President
4. Approval of Minutes
 - a) Minutes of the September 23, 2003 Regular Meeting
5. Communications
6. Old/Ongoing Business by Commissioners
7. Introduction of New Business by Commissioners
8. Report of the General Manager
 - a) Local Legislative Update (MacLachlan)
 - b) Security of SFPUC Business and Data Systems (Loffeld)
 - c) Consent Item Threshold (Kelly)
 - d) Clean Water Master Plan Process Update
9. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

CONSENT CALENDAR

10. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.
- a) Staff Recommendation: Approve the plans and specifications for Contract No. CW-355, Lucerne Street Drainage Improvements; authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$1,425,000.
 - b) Staff Recommendation: Approve the plans and specifications for Contract No. WD-2392, Crocker Amazon Pump Station Upgrade, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$2,214,200.
 - c) Staff Recommendation: Approve the plans and specifications for Contract No. WD-2413, Sunol Valley Fluoridation Facility, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$2,500,000.
 - d) Staff Recommendation: Accept work performed for Contract No. HH-887, Moccasin Domestic Water System Improvements, approve Modification No. 2 (Final) decreasing the contract by \$35,973.91, for a final contract amount of \$901,521.09, and a total contract duration of 180 consecutive calendar days; and authorize final payment of \$93,988.00 to Mitchell Engineering.

REGULAR BUSINESS

11. Public Hearing on the updated Long-Term Strategic Plan for Capital Improvements, Capital Improvements Program and Appendices, and Long-Range Financial Plan. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, CA 94103). (Continued from the meeting of September 23, 2003.) (Carlin)

Staff Recommendation: Adopt the Capital Improvement Program Status Report and Update and Appendices and the Long-Range Financial Plan Update, all dated as of August 21, 2003 (collectively the CIP Update) and direct the General Manager of Public Utilities to submit the CIP Update to the Seismic Safety Commission and the State Department of Health Services.

12. Discussion and possible action related to the Flywheel Energy Storage System. (Smeloff)

Staff Recommendation: Authorize the San Francisco Public Utilities Commission to participate in a proposal to the California Energy Commission to fund the installation of a Flywheel Energy Storage System at an existing MUNI metro station, and to participate in the project, if awarded the grant.

PROFESSIONAL SERVICE CONTRACTS

Advertise

13. Discussion and possible action related to Agreement No. CS-742. (Toloui/Iwata)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for Agreement No. CS-742, Specialized Geo-Technical Services, from professional engineering firms to provide geotechnical services to all SFPUC departments on an as-needed basis for a total amount up to \$2.5 million; receive proposals for said professional services agreement, interview and conduct a selection procedure to identify the best qualified consulting firms for up to four separate agreements to assist and supplement SFPUC engineering staff in the completion of various capital improvement projects, each for a period of thirty-six months, and return to the Commission for award.

Award

14. Discussion and possible action related to Agreement No. CS-743. (Cael)

Staff Recommendation: Award Agreement No. CS-743, Specialized Engineering Services During Construction, with a retroactive start date of September 1, 2003, to provide specialized engineering services during construction for Contract No. HH-903, Priest Reservoir Bypass Pipeline, and authorize the General Manager of Public Utilities to execute a professional services agreement with Kennedy/Jenks Consultants for an amount not to exceed \$410,500, and with a duration of 10 months.

CLOSED SESSION

15. Public comments on matters to be discussed in Closed Session.
16. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

17. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Sullivan)

Property: 979 Broadway, Millbrae, CA
Parties Negotiating: CCSF – Dowd/Sullivan
Lessee – Bay Area Rapid Transit District
Under Negotiation: As to Price and Terms

18. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Milstein)

Existing Litigation: Restore Hetch Hetchy v. City and County of San Francisco;
San Francisco Superior Court No. 503-306.

19. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Clayton)

Existing Litigation: Zurich North America v. City and County of San Francisco;
Claim No. 03-03317.

20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Clayton)

Existing Litigation: Settlement for Thomas E. Sitter;
Unlitigated Claim No. 04-00284.

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL
RECONVENE IN PUBLIC SESSION.

21. Announcement following Closed Session.

22. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

October 14, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

DOCUMENTS DEPT.

NOV 26 2003

SAN FRANCISCO
PUBLIC LIBRARY

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ann Moller Caen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 1:44 P.M.
2. Roll Call: Present – President E. Dennis Normandy, Commissioner Ann Moller Caen, Commissioner Robert J. Costello
3. Discussion and possible action relating to the election of Vice President

President Normandy announced that Commissioner Jeffrey Chen had resigned from the Commission because he moved out of San Francisco. He informed those present that this left two vacancies on the Commission with Vice President Ashok Bhatt's resignation at the last meeting.

President Normandy called for nominations for Vice President. Commissioner Caen nominated Commissioner Costello for Vice President. There were no other nominations. President Normandy seconded. The Commission unanimously elected Commissioner Costello for Vice President.

4. Approval of Minutes

Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the Minutes of the September 23, 2003 Regular Meeting as amended; passed (3-0) unanimously.

5. Communications

No action taken.

6. Old/Ongoing Business by Commissioners

There was no discussion.

7. Introduction of New Business by Commissioners

Commissioner Caen inquired if a response had been given to a communication received regarding the idea of supplying Hetch Hetchy bottled water to the San Francisco Unified School District (SFUSD).

Ms. Patricia E. Martel, General Manager of Public Utilities, answered that a specific response had not yet been given; the primary reason being there wasn't sufficient bottled water available. She stated SFPUC was investigating the possibility of another bottling and competing in the City's Request for Proposals (RFP) to provide bottled water to City Departments. She stated bottled water was a side business, and for this reason, might have limitations. She stated the issue of

supplying SFUSD would be examined within the context of providing City Departments and that a report would be made to the Commission.

Commissioner Caen inquired if a response had been made to a letter from Jennifer Clary of the Alliance for a Clean Waterfront (ACW) regarding the Clean Water Master Plan (CWMP).

Ms. Martel stated that the CWMP was an agenda item today under the General Manager's Report as President Normandy had requested an update be given on the CWMP in response to the public comments made at the September 23, 2003 Commission meeting.

President Normandy requested that as SFPUC moved forward with an RFP to supply bottled water to City Departments, that the possibility of including SFUSD be factored in. He further requested that staff prepare a response to the woman who wrote the suggestion so she would know that her idea was being addressed.

8. Report of the General Manager

a) Local Legislative Update

Mr. James MacLachlan, Government Affairs (GA) Manager, presented a quarterly update to the Commission on events and developments in the local political and government arena.

Mr. MacLachlan addressed the oversight bodies created by Propositions P and E in November 2002. He reported the Rate Fairness Board (RFB) had all its members appointed. He stated the RFB would be attending the next SFPUC Commission meeting in October and would pursue their business thereafter. He reported the Bond Oversight Committee (BOC) had all its members appointed. He stated a preliminary agenda was being crafted for a projected first meeting after the fall. He reported SFPUC was still working with the Board of Supervisors (BOS) on the Citizen's Advisory Committee (CAC) as the legislation to create the body had not been passed by the BOS.

Mr. MacLachlan reported local GA had been actively involved in the issue of siting the combustion peaker turbine engines, received through the Williams settlement, by setting up meetings between the BOS, Ms. Martel and Mr. Ed Smeloff, Assistant General Manager of Power Policy. He stated GA was keeping the BOS apprised on the situation. He noted Communications and GA had been working closely with community groups and leaders, as their input would be important in the final developments of the project.

Mr. MacLachlan stated the La Grande Water Tank was a top priority to achieve this year. He stated some community opposition had been encountered and noted extensive community outreach had been done to receive input and that ultimately

SFPUC came to an agreement with the community. He stated the one remaining required step was to attain permission from the Recreation & Park Commission (RPC), as the tank sits on their land. He stated SFPUC received unanimous approval from the RPC on September 18, 2003, to proceed with construction.

Mr. MacLachlan reported that GA had been working with Supervisor Gavin Newsom's office on the Lombard Reservoir project located in District 2. He stated Communications had done extensive community outreach and that he had worked with Supervisor Newsom. He reported the construction had been underway for 3 months with very few complaints from the community.

Related to Islais Creek, Mr. MacLachlan reported that Supervisor Gerardo Sandoval wrote a letter to Ms. Martel in April 2003 requesting whether or not it was possible to use Proposition 50 bond funding to do flooding abatement in the upper Mission area of his district. He stated Supervisor Sandoval was informed that it was not an eligible use of Proposition 50 bond funds, but that SFPUC had been working with Supervisor Sandoval's office to help him define and identify the problem. He stated Supervisor Sandoval was currently conducting a survey of the residents in the affected area, and based on the survey, would possibly hold a town meeting with the residents to discuss possible abatements they could take.

Mr. MacLachlan stated as part of the Government Affairs Plan, adopted by the Commission on June 10, 2003, GA was about to implement several new initiatives, including the Legislative Advisory Committee (LAC) and the GA Newsletter. He stated the first issue of the newsletter would be published October 2003 and posted on the SFPUC Currents and website. He reported the first meeting of LAC was on June 10 with discussion on defining the committee's goals and next steps. He informed the Commission the next LAC meeting was scheduled for late October at which time identifying legislative priorities and creating a matrix would be discussed.

President Normandy asked if there were membership rosters for the RFB and BOC. Mr. MacLachlan stated there were and that he would get them to the Commission later today.

President Normandy requested the Commission secretary draft a letter to each member of the RFB and BOC congratulating them on behalf of the SFPUC Commission and offering them support with their duties.

President Normandy suggested that the distribution list of the GA newsletter be expanded to include the governmental bodies that SFPUC works with to provide them with written records of SFPUC's agenda. Mr. MacLachlan replied it was an excellent suggestion and stated he would consult with Ms. Martel.

b) Security of SFPUC Business and Data Systems

Mr. Hans Loffeld, Director of Information Technology Services, referenced his report to the September 9 Commission meeting when Commissioner Caen requested a report on SFPUC's computer security after reading an article in the *New York Times* on the subject. He shared the article discussed the prevalence of software viruses and the special risks to utilities and their control systems that regulate water flow, water quality and water pressure. Mr. Loffeld stated the official control system at SFPUC was the Supervisory Control and Data Acquisition System (SCADA). He informed the Commission that SCADA was isolated from the internet and that there was no way to get to SCADA from the internet; therefore, there was no danger of being infected from viruses from the outside world. He stated viruses had been prevalent in the last few years, but that no infection had occurred in those particular systems. Mr. Loffeld stated that SCADA was also separated from SFPUC regular business systems and that the majority of SFPUC employees had no ability to access the SCADA system. He assured the Commission that the SCADA control systems were safe and secure.

Mr. Loffeld informed the Commission that other systems, such as email, were vulnerable to viruses and defensive measures were taken against that. He stated every piece of email that was sent to SFPUC and every email sent amongst staff was scanned for known viruses. He stated on average, SFPUC staff collectively received 300-350 emails from the outside world per hour, and within each hour, 3-4 viruses were caught. He stated SFPUC intercepted and purged the viruses with a 100% success rate. He stated new viruses were a problem, as vendors needed a 4-6 hour window to update their antivirus software. He stated there was no way to defend against a new virus but to be rigorous in backing up data. Mr. Loffeld informed the Commission that SFPUC had not lost any data and that the virus problem hadn't been severe in terms of cost.

Commissioner Caen thanked Mr. Loffeld for his clear report.

President Normandy stated he understood the SFPUC payroll systems were tied into the Controller's Office and shared the Commission was concerned about security and individual privacy issues and inquired what steps had been taken to guard the privacy of SFPUC staff. Mr. Loffeld answered that a log-in ID and a password were required in order to read the data about payroll. He stated to make changes on payroll, the system could only be accessed from a terminal physically located in the SFPUC payroll office and that authorized users could not access the system from a different location.

President Normandy asked if there were adequate protections against identity theft and unauthorized access of information. Mr. Loffeld affirmed there were.

c) Consent Item Threshold

Ms. Martel stated the report was a follow-up to a discussion amongst the Commissioners from the September 9 meeting. She related that a number of

months ago a policy was implemented that established criteria for items placed on the Consent Calendar (CC). She noted Commissioners had raised questions regarding the threshold for items placed on the CC. She stated the executive leadership team had discussed the matter and that Mr. Harlan Kelly, Assistant General Manager of Infrastructure, was asked to respond in detail to the Commission's inquiry as he and the CIP staff would be most directly affected by placement of agenda items.

Mr. Kelly reviewed the steps of bringing agenda items before the Commission for advertising, awarding, amending and closing a contract. As background, he stated agenda items were developed based on Commission approval. He presented the pros and cons of placing a ceiling on CC agenda items and a recommendation.

Mr. Kelly stated the major pro was to give the Commission an opportunity to review large projects over \$5 million as they would be provided full details, and projects under \$5 million would be on the CC. He stated the cons were that most of the projects would be placed on the CC, but that if there were issues with any item, they could be pulled from the calendar. He stated writing detailed Regular agenda items required time and preparing one-page Consent items saved staff time. He noted with the CIP moving forward a lot of projects would be brought before the Commission.

President Normandy, referring to a handout on the subject, stated he didn't see a connection between why the City Charter saying Commission approval was required for the awards stage was an argument against a \$5 million ceiling. Mr. Kelly stated that the City Charter required SFPUC approval at the awards stage, but that it was not a requirement to come before the Commission for the advertising stage. Ms. Martel stated the SFPUC had been advised by the City Attorney's Office that there was no fundamental requirement for putting the items on the agenda except to award or close out contracts. President Normandy commented that the point was really an argument for rather than against maintaining a ceiling of \$5 million or less.

Mr. Kelly stated he had been looking for opportunities to improve, speed up and streamline processes and felt this was an opportunity to propose a proper process. He proposed a process that would inform the Commission on upcoming projects to be advertised, stating if there were major concerns, more information could be requested on the projects. He stated the major concern was that staff had to put packets together 10 days before a Commission meeting and before an action could be taken. He explained staff was ready to advertise but had to wait 10 days and get Commission approval to proceed. He stated the Commission would have another opportunity at the award stage to make changes if they chose. Mr. Kelly recommended that a monthly report through the General Manager be done to identify projects that were coming up each month and that more information could be requested. He stated the proposed advertise dates for projects would be given.

The process would allow for immediate advertising instead of waiting 10 days for each action. He posed the option as an opportunity to capture time.

Commissioner Caen inquired if the packet that was put together for the award stage was the same packet for the advertise stage. Mr. Kelly responded that most of the information was the same, but that the contractor, the MBE/WBE goals, and other information was unknown at the advertise stage. He stated when the low bid was received, work commenced on the MBE/WBE goals, 12B compliance, and contracting issues. He stated there was a difference in the time required to prepare the packages and that the major issue was the delay on time to the project.

Commissioner Caen stated that in order to award a contract, basic information was needed and didn't understand why it was considered additional work to provide the advertise stage and then add on the information for the award stage. Mr. Kelly stated it was correct, but that his main argument was that projects were ready to be advertised 10 days before packets were prepared and the Commission took action. He explained if allowed to advertise before presenting to the Commission, 10 days would be gained on projects. He stated it was correct that the information for the award stage still needed to be prepared for the packets, but that he wanted to capture the 10 days for advertising and put the time into the projects. Ms. Martel added that when RFPs were prepared, often they were ready a few weeks or more in advance of Commission meetings. She stated that project timelines could be decreased significantly and the process streamlined if the lag time was decreased.

President Normandy brought the discussion back to what a CC should contain. He stated it was a list of preapproved projects with brief descriptions presented to the Commission that were basically a ratification of action. He stated the Commission wanted a policy that simplified, streamlined and hastened the process, but that did not abdicate the control and fiscal liability and responsibility of the Commission. President Normandy suggested that policy changes on the CC be limited to CIP projects. He stated if there were certain nonCIP projects that needed further information, that they should not be included in the CC as the calendar was a mechanism to speed things through. He stated the focus of the policy-making discussion was to determine what was to be included in the CC. He stated it should include awards, approvals of plans and specifications, and acceptance of work performed as they were dependent on technical staff expertise. He stated the CC meant no discussion was necessary. He stated there was no need to bring advertising before the Commission. He noted that advertising related to the CIP projects had already been preapproved. Mr. Kelly affirmed the statement.

President Normandy addressed the \$5 million level. He stated all projects at the award, approve and accept stages at \$5 million and up be on the CC and projects at \$5 million and below did not have to be on the CC.

Commissioner Caen stated she understood the process but wasn't sure if she agreed with it. President Normandy stated understanding the process was the

starting point and the next step was determining if the Commission agreed with it. He asked Mr. Kelly if this was correct.

Mr. Kelly restated the points for clarification. He stated that identified CIP projects would be placed on the CC for award, but that advertising did not have to be put on the calendar. He understood that all nonCIP projects at \$5 million or up needed to be placed on the CC, and those under \$5 million did not.

Commissioner Caen stated it was a fact that the CIP projects were known, but that a typical CC item gave a lot of information on the engineer's estimate, the schedule, etc., and that she thought CIP items should be on the CC. She argued that the Consent items gave a lot of detail on projects. She stated she had problems with the amount of money. She asked Mr. Kelly what the average cost was to prepare a RFP and advertise. Mr. Kelly stated, depending on the type of project, it cost \$25,000-50,000 for staff to prepare a RFP. He also stated that the consultant's response to it was a similar cost.

Commissioner Caen asked if this had to be done with every project undertaken. Mr. Kelly stated that was correct. He stated that the issue was saving time. He explained that every day saved on the CIP was worth \$35,000 and that an effort to speed up the processes was desirable. He stated Commissioner Caen's argument was valid in that it presented more information on the CC. Mr. Kelly suggested giving information to the Commission in a monthly report to speed up the process and the Commission had the right to say no or request further information.

Commissioner Caen stated she understood, but saw there would be a loophole if the Commission didn't approve an RFP for advertisement and that it had already been advertised. Mr. Kelly stated from his perspective he would have already notified the Commission in the reports given to the Commission about what projects were being recommended to move forward for advertisement. He stated if the Commission decided not to move forward on an advertisement, it could be rescinded. He thought this would be an exception more than the norm and proposed more information could be presented to the Commission for those items of exception to help the Commission make a better decision.

Commissioner Caen asked how the Commission would let him know that they didn't want to advertise if the Commission didn't assemble. Mr. Kelly stated one of the recommendations would be to let the Commission know a month in advance what was going to be advertised as part of the General Manager's Report in order for the Commission to have time for review and to make a statement at the following meeting for any items for which they wanted further information.

Commissioner Caen inquired how this would differ from having it on the CC. Mr. Kelly stated the major difference was that if it was on the CC it required 1.5 weeks of idle time.

Commissioner Caen stated she understood what was said, but felt that if the Commission turned down advertising a project, it had already been advertised. Mr. Kelly stated that was correct. Commissioner Caen inquired if this would be turning it down after the fact. Mr. Kelly responded no.

Ms. Martel suggested focusing on President Normandy's parameters of the 77 CIP projects already approved by the Commission when they approved the CIP. She stated it was not likely that any of those items would not be approved for advertising. She stated the benefit of not putting advertising on the CC was that it would not delay projects. She stated the Commission could exert authority at the award stage at which time they might choose not to approve and an alternative could be explored. She stated removing advertising from the CC was based on the presumption that the Commission would approve advertising on the preapproved 77 CIP projects.

Commissioner Caen stated she agreed.

President Normandy directed staff to rewrite the CC policy for the next regular meeting, as today's report was not an action item. He clarified how the Commission would regard the CC. Part A: 1) He stated there was no need to advertise the 77 CIP projects on the calendar and that it be considered a routine process. 2) He stated any of the 77 CIP projects at \$5 million or less need not be on the CC to speed the process up. Part B: 1) He stated for projects that were not preapproved CIP projects, it would be the Commission's policy to have advertising, awards, and acceptance of projects in excess of \$5 million on the CC. He asked if the Commission agreed. He recommended staff present the policy with appropriate clearance from the City Attorney's Office.

Ms. Vicki Clayton, SFPUC Legal Counsel, asked President Normandy if he said that CIP projects would not be on the CC for advertising. President Normandy answered affirmatively.

Ms. Clayton stated she thought she heard President Normandy say that CIP items over \$5 million would go on the CC. Mr. Kelly stated it was for nonCIP items. President Normandy stated the first criterion of focus was on the \$5 million amount and the second criterion was on the CIP envelope.

Ms. Clayton clarified that the nonCIP items under \$5 million would not go on the CC. President Normandy stated there was no need and that it would speed up the process. *President Normandy requested Ms. Martel put the information on paper to make it a policy and to use it for reference and adherence.* He asked Mr. Kelly if he was in agreement. Mr. Kelly answered affirmatively.

d) Clean Water Master Plan Process Update

Ms. Martel stated her report was in response to public comments made regarding the CWMP during discussion on the updated CIP for the water system at the September 23 Commission meeting. She stated in her absence, President Normandy requested Mr. Kelly advise her an update on the CWMP was needed for the Commission and the benefit of the public speakers.

Ms. Martel noted that last year, the CIP not only encompassed 77 projects for the water system, but also \$900 million for the sewer system. She stated during CIP public discussions, issues were raised about the sewer system projects. She stated her recommendation to the Commission in May 2002, when they approved the CIP for the water system, was to remove the sewer projects and develop a CWMP. She recommended that the CWMP be presented to the Commission for approval and that a series of projects be developed to be the CIP for the sewer system.

Ms. Martel stated a number of discussions with interested Supervisors, including Supervisors Tom Ammiano and Sophie Maxwell, and interested stakeholders from the community had commenced last year. She stated discussion regarded what the CWMP process would look like, how it would be undertaken and how it would be funded. She shared that the Commission's action of May 2002, followed the approval of the SFPUC's budget, at which time there was no funding for the CWMP. She stated constraints were anticipated again though some funds had been identified to begin the process. She stated the Commission would take up the new SFPUC budget in January and that funding would be included for the majority of the work that would occur beyond the 2004 budget year.

Ms. Martel stated when the voters authorized the bond measure for water system improvements in November 2002, the voters also approved Proposition E, which included language for the creation of a Citizen's Advisory Committee (CAC). The CAC's purpose is to advise the General Manager and SFPUC about public input on SFPUC projects and activities related to the water, sewer and power system. She stated at that time, the CAC was regarded as the public forum through which discussions regarding the CWMP and water system improvements and power projects could be undertaken as well as to advise SFPUC on the CAC's views on SFPUC actions. Ms. Martel stated during the last several months, SFPUC had discussions with Supervisors and had received input from certain stakeholder groups to identify the important components for a public-oriented master plan process for the SFPUC sewer system. She stated SFPUC had also been working with the author of Proposition E to reach an agreement on what the ordinance for CAC would include to allow SFPUC to move forward and implement a process for the CWMP.

Ms. Martel stated before getting into the details on the CWMP, she wanted to clarify that the action being taken today on the CIP was for the water system. She noted that the public comments made at the September 23 meeting were related to the proposed CWMP for the sewer system, a separate issue, and were the focus

of her report today. She stated to delay the action on the CIP water system because the CWMP had not commenced yet, would not be appropriate because they were two separate and distinct activities. She noted that the funding approved by the voters last year for the water system improvements had nothing to do with funding the CWMP.

Ms. Martel stated her report would outline what SFPUC had put together on the master plan process and provide a cost estimate for developing a CWMP as per President Normandy's request at the last meeting. She stated she would attempt to address comments made at the last meeting related to the Southeast Water Pollution Control Plant, a combined versus a separate sewer system, flooding problems, and issues raised about the Recycled Water Master Plan (RWMP).

Ms. Martel stated the CWMP was envisioned to include 3 distinct programs that would be integrated into one large CWMP. The three components of the CWMP program would include: 1) planning and engineering, 2) public participation and 3) environmental review. She stated the planning/engineering and public participation programs would run concurrently. She stated the public process would allow participation by the CAC from the very early stages of the planning/engineering discussion regarding the system's current status and broad goals for improving the system and its operation. She stated it was envisioned that the planning/engineering and public participation programs would begin in early 2004. She stated it would take until then because the CAC was not in place and because RFPs needed to be issued for consultants for planning/engineering and public participation programs.

Ms. Martel stated the estimated cost for the CWMP reflected the three programs. She stated SFPUC staff had looked at using internal staff for all three components of the CWMP program, but recognized consultant services were needed to supplement in-house capability to fully take on the CWMP. She stated \$10 million was the overall cost for the planning/engineering program and would include \$3.5 million for internal resources and \$5-6 million for consultant contracts. Ms. Martel stated \$.5 million was budgeted to incorporate the Technical Review Committee (TRC) and make them an active part in the CWMP process.

Ms. Martel stated the public participation program was envisioned as a facilitated process by SFPUC staff and an outside consultant. She stated that in the budget approved several months ago, SFPUC was granted a number of new public participation coordinators in Communications. She stated they would serve as team leaders for major SFPUC capital programs, including the regional and local water system, the CWMP, and the power program. She stated there would be a dedicated coordinator unit within her office that would work with the public participation consultant to develop in-house expertise for handling community-participation programs. She stated it would also allow for an independent facilitator to lead public meetings so the public felt confident that the SFPUC was not trying to direct the program and that the facilitator would be an unbiased person who

would allow the public to fully participate. She stated the public participation program would use internal resources and would have one consultant contract.

Ms. Martel stated the environmental review program would encompass internal resources and one environmental consultant for a cost of \$ 2.5-3 million.

Ms. Martel stated the process involved expanding and providing a viable and legitimate role for the public and expanding the TRC role. She stated adequate environmental resources needed to be brought in to assist in examining environmental alternatives that would push the cost of the CWMP program up significantly. She stated it was believed it would be an investment well made because it would help SFPUC develop a process to use as a model for future capital improvement programs and master plan processes that would involve citizen input through the CAC, staff and consultants.

Ms. Martel stated the work to be completed on the planning/engineering phase of CWMP was envisioned as a unique RFP process. She stated it would involve a variety of consultant teams that could be paired up with one another. She stated the RFP would be written in such a way that the best from each of the teams would be put together to make one expert team to address the San Francisco sewer issues. She stated the normal RFP process allows for the selection of one team, but the new process would allow for selecting an ideal team from the various teams and could serve as a model process in the future. She stated it was hoped that stakeholders would be used in the interview process to assist the interview panel in evaluating the teams and later in the decision-making process.

Ms. Martel stated it was expected that the planning/engineering services RFP would be presented to the Commission late 2003. She stated broad areas in the RFP would include: collection system improvements to address flooding problems in hydraulic deficiencies within the system; a combined versus a separate sewer system; combined sewer overflow improvements and reductions; odor control improvements; alternatives to the Bayside versus Oceanside discharges; biosolids management including solids treatment and disposal; centralized versus decentralized treatment; conventional versus unconventional/innovative treatment technologies; visual impacts of the treatment facilities in their existing communities; disinfection of treated effluent; asset management of aging facilities and investment over time; and regulatory requirements. She stressed that these broad areas for the RFPs did not constitute a scope of work and that the scope of work would be negotiated with the selected team. She stated it was hoped that there would be stakeholder input into the scope of work when the team was selected.

Regarding the public participation program, Ms. Martel stated the focus was on getting the CAC approved through an ordinance introduced jointly by Supervisors Ammiano and Maxwell. She stated it was envisioned that the CAC would have appointments by all BOS members with a representative from each district, and that the Mayor and the BOS President would each have additional appointments.

She stated the plan for the CAC was to get broad stakeholder input from throughout the community. She stated what had been proposed was an ad hoc committee process that would allow other interested community members or stakeholders not selected as appointees to participate in the process and expand the input of the public participation process. Ms. Martel stated the facilitator selected as part of the consultant team would: 1) work with SFPUC staff to organize and facilitate the CWMP public meetings and workshops; 2) conduct stakeholder interviews to generate stakeholder input about the process; 3) help develop and distribute educational and outreach materials throughout the entire community, and 4) create a database of interested stakeholder groups to incorporate them in the process and advise them about meetings and areas of interest. She stated a media campaign would be conducted and a website created for the public to view the process.

Ms. Martel's final area of focus was on the TRC. She noted that the importance of the TRC to the community had been brought to her attention when she began doing public meetings about the CIP last year. She stated the community viewed the TRC as their voice of expertise to balance the SFPUC's input on projects. She stated she concurred with the need for the representation and that the TRC members and the expertise they could bring to the process impressed her. She stated the existing TRC was provided for and that it was proposed to add a couple new members to provide even more expertise.

Ms. Martel stated this concluded her comments on the CWMP process as envisioned overall. She stated when the CAC was in place, the process would be discussed with them, and through their input, changes and enhancements could be made. Ms. Martel stated a starting point was needed and she proposed that this was the starting point.

Ms. Martel addressed specific comments made by the public at the September 23 meeting regarding concerns about the Clean Water Program process and the impact it would have on the Southeast facility. She stated SFPUC would be looking at alternatives to address the ongoing complaints about odor problems and the identified deficiencies of solids treatment. She stated focus would be placed on enhancements to minimize the visualize impacts of the Southeast facility and community. She stated alternatives would be investigated to reroute wastewater flows away from the Southeast facility to other treatment facilities in the City and handling some treatment processes at other locations.

Ms. Martel noted that comments were also made about the RWMP as the community was concerned that progress was neither being made nor consideration given to the impact of the RWMP on certain facilities, particularly the Southeast. She stated SFPUC was aware of the need to look at how recycled water from the Southeast facility could be employed for useful purposes on the Bay side of the City. She stated there was a related issue with the high salt content in the waste water collected on the Bay side of the City which impacts the feasibility

of using recycled water there. She shared it had been discussed and would continue to be discussed as the public process for the RWMP unfolded. She stated the issue needed to be addressed and that alternatives needed to be considered. Ms. Martel concluded her comments on the CWMP.

President Normandy stated before taking public comment he would call for comments and questions from the Commissioners.

President Normandy thanked Ms. Martel for presenting the components and rough costs and asked how long it would take to do the programs.

Ms. Martel stated a tentative timeline for each program had been developed. She stated timelines would be impacted by the CAC and how quickly RFPs got out and responses were received back. She stated it was envisioned that the RFP for planning/engineering services would go out in November 2003, that the Commission would approve it by January/February 2004, and the contract would be negotiated in March 2004. She was uncertain how long the teams would take to complete the process. She stated based on staff discussions the facilities plan would be developed through 2004 and into 2005, taking 12-18 months, and would come back as a program for the Commission to approve in 2005 or 2006. She stated these were draft schedules and that they could be accelerated once teams were in place and the public process was moving forward. She stated when the consultants were selected and their timeline for activities was known, a more detailed timeline could be presented to the Commission.

President Normandy stated it was important that the 2 major objectives regarding the CWMP be met, 1) that there be a dispersal of various facilities so as not to overburden the Southeast area as had been done in the past, and 2) that SFPUC take advantage of the most up-to-date and state-of-the-art technology to allow for the cleanest ways of processing waste water. President Normandy invited the public to address the Commission.

Public Comment:

Ms. Jennifer Clary, ACW, thanked President Normandy for continuing the item and for Ms. Martel's thorough response. She stated she was glad to hear that the CAC was being considered as a vehicle for the CWMP. She stated ACW had made comments on the initial draft of the CAC and that she had spoken to 40 different organizations before submitting the comments to Supervisor Ammiano. She noted that the CIP had the benefit of the State requirement to maintain it and a schedule, which the CWMP did not have. She stated it was unfortunate that the same commitment was not being given to the CWMP. She stated ACW would be looking with great interest to the schedule and details that were reported today and to speaking with the Commission at a later date.

Mr. Alex Lantsberg, ACW and Southeast resident, stated he appreciated the update and information on the process. He stated there were several things that were not addressed that needed immediate attention. He stated the first problem was the failing digesters and resulting odors at the Southeast plant. He stated ACW had been working with Supervisor Sophie Maxwell and Ms. Martel to expedite investigating a short-term and immediate solution for the problem. He stated related to the odor was a failing roof and suggested covering it with a geodesic dome. Another ongoing issue he presented was that the ACW and its precursors had been working on the issue for the past 12 years. He stated to push it out to 2006 was a concern. He noted that a lot of preplanning work had been done and that the SFPUC had done extensive work with the community to identify peoples' concerns and propose solutions. He stated ACW had suggested to Supervisor Maxwell that the TRC be deployed immediately to look at the work that had been done and to put together research and moving forward agendas. He stated this would enable CAC, SFPUC staff and consultants to have a body of information with which to operate. He stated his final issue was that the vision of the new master plan needed to be articulated. He acknowledged that the Commission and Ms. Martel had heard what the problems were and that many of the people working for years on the issue had articulated an alternative vision. He suggested that the Commission recognize the problems existed and the problems were being redressed to design a better system. He opined it would make the process function more smoothly moving forward. He stated ACW hoped that communication and dialogue could be maintained between the Commission and Ms. Martel to stay abreast of the proceedings

President Normandy thanked the speakers for their comments and stated the Commission concurred with much of what was said. He stated the vision remained as he articulated; first, that the facilities needed to be dispersed so that no single area of the City was overburdened, and second, that state-of-the-art technology be utilized to allow for as clean and neighborhood-friendly facilities as possible.

Ms. Martel commented that she concurred with the broad vision articulated by President Normandy, but wanted to be careful about articulating a hard-fast vision or set of goals at this time. She stated in the last 1.5 years, the public voiced their criticism of the SFPUC going before the public with their minds made up about the way things should be done and disregarding public input. She stated the agency was trying to avoid these pitfalls of the past. She suggested that instead of responding to the challenge of establishing a clear vision and goals, SFPUC needed to identify what the inherent needs of the system were. She stated it was hoped that the goals and vision for the system be established jointly with the public through the public process. She felt it was important to determine the needs of the system first and how they could be met, and then establish the vision and goals with the community. She stated if it was truly going to be a legitimate community process, the community had to have a part in establishing what the vision and goals would be.

President Normandy thanked Ms. Martel for her comments and stated they were not in conflict with the overall vision he articulated. He stated the community had made it clear that relief was needed for the Southeast facility and neighborhood by dispersing facilities and utilizing the best technology available to provide the City and its citizens with the best possible facilities. He noted the public input from San Francisco citizens was part of the process Ms. Martel described in her report. He stated it was important to not get lost in the bureaucratic process or hide behind it.

Mr. Lantsberg stated a vision would pull things from the multiple years that had been put into the issue and was a broad way to say that the community wanted to make sure the system was environmentally just and that the project was sustainable and cost effective. He stated that framework would allow the planning process to frame the issues.

President Normandy stated he thought they were in general agreement and that as the process proceeded, it was important that the agreements extend to the details.

Ms. Martel stated she had two more items to report that were not listed on the agenda. She reported information had been received that the Governor vetoed AB 1051. She stated SFPUC worked on the bill related to capital facilities fees with the City of Los Angeles and Assemblywoman Jackie Goldberg. She stated there was a misunderstanding on the part of the Governor with respect to potential fiscal impacts on public and State agencies. She stated SFPUC would be working with the author to see if there was any political will to override the veto because both houses of the Legislature had supported it. She stated the Commission would be apprised of any further action.

President Normandy urged consideration of any other recourse or avenues that could be taken advantage of as a result of the change in administration.

Ms. Martel reported that on the October 28 Commission agenda, an information item was being scheduled on the consultant's findings on the Sewer Rate Study. She stated SFPUC requested that RFB members be present at the meeting to be introduced to the Commission and to hear the consultant's findings, which would be their first order of business.

9. Public Comments on matters not on today's agenda.

Mr. Emeric Kalman, San Francisco resident, asked when the CWMP would be presented to the public and what its status was.

President Normandy referred Mr. Kalman to staff to cover the topic with him because of the extensive discussion just presented on the CWMP.

CONSENT CALENDAR

10. Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the items (a-d) listed under the Consent Calendar; passed (3-0) unanimously.
 - a) Resolution No. 03-0206: Approve the plans and specifications for Contract No. CW-355, Lucerne Street Drainage Improvements; authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$1,425,000.
 - b) Resolution No. 03-0207: Approve the plans and specifications for Contract No. WD-2392, Crocker Amazon Pump Station Upgrade, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$2,214,200.
 - c) Resolution No. 03-0208: Approve the plans and specifications for Contract No. WD-2413, Sunol Valley Fluoridation Facility, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$2,500,000.
 - d) Resolution No. 03-0209: Accept work performed for Contract No. HH-887, Moccasin Domestic Water System Improvements, approve Modification No. 2 (Final) decreasing the contract by \$35,973.91, for a final contract amount of \$901,521.09, and a total contract duration of 180 consecutive calendar days; and authorize final payment of \$93,988.00 to Mitchell Engineering.

REGULAR CALENDAR

11. Public Hearing on the updated Long-Term Strategic Plan for Capital Improvements, Capital Improvements Program and Appendices, and Long-Range Financial Plan.

Mr. Carlin, Director of Strategic & Systems Planning, stated he and Mr. Kelly were jointly presenting the revised update and status report on the CIP. He stated 3 issues needed to be resolved in order to bring the item before the Commission: 1) a reply in letter format to Mr. Lawrence, 2) a CWMP update which Ms. Martel just detailed, and 3) a response letter to Mr. Art Jensen of Bay Area Water Supply & Conservation Agency (BAWSCA) regarding issues BAWSCA outlined about the CIP. He stated SFPUC was in the process of developing detailed responses to the issues raised and would have them to Ms. Martel for her signature by the week's

end. He stated they could present the details on the issues or resolve it through the letter to Mr. Jensen.

President Normandy called for Mr. Jensen to make comment.

Public Comment:

Mr. Jensen, General Manager of BAWSCA, stated it was difficult to comment without having seen the response. He stated the Commission was free to take an action today and that if BAWSCA had problems with the responses received, they would bring them to the Commission's attention.

Ms. Martel stated she requested Messrs. Kelly and Carlin be prepared to present on the issues raised by Mr. Jensen and the responses being given in the letter.

President Normandy reminded the Commission the item was continued from the last meeting because of the issues raised. He asked the Commission if they wanted the presentation or to take it on Ms. Martel's assurance that the matter was handled. He stated it was a living process and that his concern was not to delay the process.

Ms. Martel assured the Commission that she was satisfied with the detailed and reasonable responses Messrs. Carlin and Kelly provided on the issues Mr. Jensen raised in his letter and at the last Commission meeting.

President Normandy directed his comment to Mr. Jensen, stating the Commission was leaning toward approving the item based on the assurance from Ms. Martel and in the interest of moving the item forward. He stated if modifications were needed, they could be made at a later time.

Mr. Jensen stated moving forward was high on BAWSCA's list. He stated he had no problem with the Commission taking an action today. He was confident Ms. Martel and staff worked out responses and that if there was an issue, BAWSCA would work with SFPUC staff.

Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the following resolution; passed (3-0) unanimously.

Resolution No. 03-0210: Adopt the Capital Improvement Program Status Report and Update and Appendices and the Long-Range Financial Plan Update, all dated as of August 21, 2003 (collectively the CIP Update) and direct the General Manager of Public Utilities to submit the CIP Update to the Seismic Safety Commission and the State Department of Health Services.

12. Discussion and possible action related to the Flywheel Energy Storage System.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (3-0) unanimously.

Resolution No. 03-0211: Authorize the San Francisco Public Utilities Commission to participate in a proposal to the California Energy Commission to fund the installation of a Flywheel Energy Storage System at an existing MUNI metro station, and to participate in the project, if awarded the grant.

PROFESSIONAL SERVICE CONTRACTS

Advertise

13. Discussion and possible action related to Agreement No. CS-742.

Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the following resolution; passed (3-0) unanimously.

Resolution No. 03-0212: Authorize the General Manager of Public Utilities to advertise and request proposals for Agreement No. CS-742, Specialized Geo-Technical Services, from professional engineering firms to provide geotechnical services to all SFPUC departments on an as-needed basis for a total amount up to \$2.5 million; receive proposals for said professional services agreement, interview and conduct a selection procedure to identify the best qualified consulting firms for up to four separate agreements to assist and supplement SFPUC engineering staff in the completion of various capital improvement projects, each for a period of thirty-six months, and return to the Commission for award.

Award

14. Discussion and possible action related to Agreement No. CS-743.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (3-0) unanimously.

Resolution No. 03-0213: Award Agreement No. CS-743, Specialized Engineering Services During Construction, with a retroactive start date of September 1, 2003, to provide specialized engineering services during construction for Contract No. HH-903, Priest Reservoir Bypass Pipeline, and authorize the General Manager of Public Utilities to execute a professional services agreement with Kennedy/Jenks Consultants for an amount not to exceed \$410,500, and with a duration of 10 months.

CLOSED SESSION

15. Public comments on matters to be discussed in Closed Session.

There were none.

16. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Vice President Costello, seconded by Commissioner Caen, to assert the attorney-client privilege; passed (3-0) unanimously.

President Normandy called for a break at 3:36 P.M.

The Public Utilities Commission met in Closed Session at 3:49 P.M. to discuss the following matters:

17. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Sullivan)

Present were President Normandy, Vice President Costello, Commissioner Caen, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Assistant Secretary Janet Elliott, and SFPUC Real Estate Services Manager Gary Dowd.

Property: 979 Broadway, Millbrae, CA
Parties Negotiating: CCSF – Dowd/Sullivan
Lessee – Bay Area Rapid Transit District
Under Negotiation: As to Price and Terms

No action was taken.

19. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Caen, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Assistant Secretary Janet Elliott.

Existing Litigation: Zurich North America v. City and County of San Francisco; Claim No. 03-03317.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (3-0) unanimously.

Resolution No. 03-0214

20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Caen, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Assistant Secretary Janet Elliott.

Existing Litigation: Settlement for Thomas E. Sitter;
Unlitigated Claim No. 04-00284.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (3-0) unanimously.

Resolution No. 03-0215

18. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Milstein)

Present were President Normandy, Vice President Costello, Commissioner Caen, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Assistant Secretary Janet Elliott, and Deputy City Attorney Joshua Milstein.

Existing Litigation: Restore Hetch Hetchy v. City and County of San Francisco; San Francisco Superior Court No. 503-306.

Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the following resolution; passed (3-0) unanimously.

Resolution No. 03-0216

Following the Closed Session, the Commission reconvened in open session at 4:03 P.M.

21. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

22. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Costello, seconded by Commissioner Caen, not to disclose the discussions during Closed Session; passed (3-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 4:04 P.M.

Mary Y. Jung
Secretary

SFPUC

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
1155 MARKET ST., 11TH FLOOR, SAN FRANCISCO, CA 94103 • TEL. (415) 554-3155 • FAX (415) 554-3161



WATER

HETCH HETCHY
WATER & POWER
CLEAN WATER

WILLIE L. BROWN, JR.
MAYOR

E. DENNIS NORMANDY
PRESIDENT

ROBERT J. COSTELLO
VICE PRESIDENT

ANN MOLLER CAEN
ANDREW LEE

PATRICIA E. MARTEL
GENERAL MANAGER

Agenda

NOTICE OF CANCELLATION

The Regular Meeting of the San Francisco Public Utilities Commission scheduled for Tuesday, October 28, 2003, has been cancelled.

Mary Y. Jung
Secretary

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OCT 24 2003

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SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

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AGENDA

SPECIAL MEETING

11-14-03P02:52 RCVD

November 18, 2003
10:00 a.M.
City Hall, Room 416
1 Dr. Carlton B. Goodlett Place

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

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3. Approval of Minutes
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5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
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 - a) Lake Merced Update (Carlin)
 - b) Dry Year Water Update
 - c) State Legislative Update (Arena)
 - d) Federal Legislative Update (Owen)
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 - e) Staff Recommendation: Award Contract No. CW-343, Oceanside Water Pollution Control Plant Primary Switch, in the amount of \$245,000, to U.S. Electric Technologies, Inc.
 - f) Staff Recommendation: Accept work performed for Contract No. WD-2367, Harry Tracy Water Treatment Plant Ozone Cooling Improvements, for a total contract amount of \$873,606.17, and with a total contract duration of 240 consecutive calendar days, and authorize final payment of \$43,680.27, to Schram Construction, Inc.

REGULAR BUSINESS

- () Discussion and possible action related to Project No. CUH762, Project No. CUH878 and Contract No. HH-902. (Cael)

Staff Recommendation: Approve a transfer of funds in the amount of \$350,000 from Project CUH762 – San Joaquin Pipeline Repairs, to Project No. CUH878 – O’Shaughnessy Dam Supply to provide additional funds to accommodate modifications to Contract No. HH-902, O’Shaughnessy Dam Discharge Modifications.

Approve Modification No. 3 to Contract No. HH-902, O’Shaughnessy Dam Discharge Modifications, increasing the contract by \$255,000, for a total contract amount of \$3,783,909.08.

- () Discussion and possible action related to Project No. CENMSCTP04, Project No. CENMSCTP05 and Contract No. CW-263R2. (M. Wong)

Staff Recommendation: Approve transfer of funds in the amount of \$2,500,000 from Project No. CENMSCTP04 to Project No. CENMSCTP05;

Award Contract No. CW-263R2, SEWPCP Interim Gravity Belt Thickener (GBT) Facility, in the amount of \$3,613,519, to the lowest, qualified, responsible and responsive bidder, Schram Construction Inc.

- () Discussion and possible action related to a loan agreement with the Blue and Gold Fleet. (Smeloff)

Staff Recommendation: Authorize a loan agreement in the amount of \$100,000 with the Blue and Gold Fleet (BGF) to install an energy efficient heating, ventilation and cooling (HVAC) system at BGF’s corporate offices located at Pier 41.

LEASES AND PERMITS

- () Discussion and possible action related to a Lease with Pacific Bell Wireless. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute on behalf of the City and County of San Francisco a Lease

with Pacific Bell Wireless, dba Cingular Wireless, a California corporation, for approximately three hundred (300) square feet of space for the installation of mobile/wireless antennas and related equipment used for the transmission and reception of radio communication signals on San Francisco Public Utilities Commission Watershed land located at Hwy 92 and Old Canada Rd. (aka Upper Crystal Springs Cottage site), San Mateo County, California.

Special Lease Clauses: 2.1.1, 12.3, 27.1, 27.2, 27.3, 27.4

CONSTRUCTION CONTRACTS

Advertise

- () Discussion and possible action related to Contract Co. HH-906. (Larramendy)

Staff Recommendation: Approve Modification No. 1 to Contract No. HH-906, increasing the duration by 136 consecutive calendar days for a total contract duration of 256 consecutive calendar days.

PROFESSIONAL SERVICE CONTRACTS

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- (.) Discussion and possible action related to Agreement No. CS-704. (Huey)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for Agreement No. CS-704, Harry Tracy Water Treatment Plant (HTWTP) Demonstration Filter Design & Full Scale Study, receive and evaluate bids, and return to the Commission for award and authorization to negotiate a professional services agreement. The estimated cost of services is \$375,000 for the Phase 1, Demonstration Study work.

Amend

- () Discussion and possible action related to Agreement No. CS-672 A. (Hickman)

Staff Recommendation: Approve Amendment No. 1 to Agreement No. CS-672 A, Lubet Permitting and Design, with URS Corporation to extend the contract for an additional 24 months with no cost increase, and authorize the General Manager of Public Utilities to execute this amendment extending the total

contract period to a term of 42 months from the date of Controller certification and maintain the amount of the contract at \$396,000.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

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≡ **REVISED AGENDA** ≡

≡ **SPECIAL MEETING** ≡

November 18, 2003
10:00 A.M.
City Hall, Room 416
1 Dr. Carlton B. Goodlett Place

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

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ADJOURNMENT



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CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

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≡ AGENDA

11-21-03 PLUS 115 0000

REGULAR MEETING

November 25, 2003
1:30 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Services
Environmental Regulation & Management
Financial Services
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Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
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7. Report of the General Manager
 - a) Lake Merced Update (Bartow)
 - b) State Legislative Update (Arena)
 - c) Consent Calendar Policy Revision (Kelly)
 - d) Revenue Bond Oversight Committee (Martel)
8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report
 - a) BAWSCA Water Conservation Activities (Jensen)
9. Public Comments

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 - e) Staff Recommendation: Award Contract No. CW-343, Oceanside Water Pollution Control Plant Primary Switch, in the amount of \$245,000 to U.S. Electric Technologies, Inc.

- f) Staff Recommendation: Award Contract No. WD-2366, 8-Inch Ductile Iron Main Installation on Scott Street, in the amount of \$931,475 to Shaw Pipeline, Inc.
- g) Staff Recommendation: Accept work performed for Contract No. WD-2367, Harry Tracy Water Treatment Plant Ozone Cooling Improvements, for a total contract amount of \$873,606.17, and with a total contract duration of 240 consecutive calendar days, and authorize final payment of \$43,680.27 to Schram Construction, Inc.

REGULAR BUSINESS

- 11. Presentation of Sewer Rate Study performed by Black & Veatch. (Martel)

Staff Recommendation: Information only.

- 12. Discussion and possible action related to Project No. CUH762, Project No. CUH878 and Contract No. HH-902. (Cael)

Staff Recommendation: Approve a transfer of funds in the amount of \$450,000 from Project CUH762 – San Joaquin Pipeline Repairs, to Project No. CUH878 – O’Shaughnessy Dam Supply to provide additional funds to accommodate modifications to Contract No. HH-902, O’Shaughnessy Dam Discharge Modifications.

Approve Modification No. 3 to Contract No. HH-902, O’Shaughnessy Dam Discharge Modifications, increasing the contract by \$255,000, for a total contract amount of \$3,783,909.08.

- 13. Discussion and possible action related to Project No. CENMSCTP04, Project No. CENMSCTP05 and Contract No. CW-263R2. (M. Wong)

Staff Recommendation: Approve transfer of funds in the amount of \$2,500,000 from Project No. CENMSCTP04 to Project No. CENMSCTP05.

Award Contract No. CW-263R2, SEWPCP Interim Gravity Belt Thickener (GBT) Facility, in the amount of \$3,613,519, to Schram Construction, Inc.

LEASES AND PERMITS

14. Discussion and possible action related to a Lease with Pacific Bell Wireless, dba Cingular Wireless. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a Lease with Pacific Bell Wireless, dba Cingular Wireless, a California corporation, for approximately three hundred (300) square feet of space for the installation of mobile/wireless antennas and related equipment used for the transmission and reception of radio communication signals on San Francisco Public Utilities Commission Watershed land located at Hwy 92 and Old Canada Road (aka Upper Crystal Springs Cottage site), San Mateo County, California.

Special Lease Clauses: 2.1.1, 12.3, 27.1, 27.2, 27.3, 27.4

15. Discussion and possible action related to a retaining wall and sewer and utility easement at 3750 Market Street. (Dowd)

Staff Recommendation: Approve an agreement with John P. Sullivan and Jung Sook Sullivan, husband and wife, (Buyer) to Vacate and Quit Claim a retaining wall and sewer and utility easement located at 3750 Market Street in San Francisco in consideration for the payment of \$90,000.00 to facilitate the construction of a two-unit condominium project on Buyer's property.

CONSTRUCTION CONTRACTS

Advertise

16. Discussion and possible action related to Contract No. CW-314R. (J. Wong)

Staff Recommendation: Rescind Resolution No. 03-0156, approved by the Commission on July 29, 2003, approving the award of Clean Water Program Contract No. CW-314 Outfall Repairs at Various Locations, in the amount of \$408,560, to Bamer Construction; and authorize the General Manager of Public Utilities to re-advertise the contract in 2004 as Contract No. CW-314R Outfall Repairs at Various Locations, to receive and evaluate bids, and to return to the Commission with a recommendation for award.

Amend

17. Discussion and possible action related to Contract Co. HH-906. (Larramendy)

Staff Recommendation: Approve Modification No. 1 to Contract No. HH-906, increasing the duration by 136 consecutive calendar days for a total contract duration of 256 consecutive calendar days.

PROFESSIONAL SERVICE CONTRACTS

Advertise

18. Discussion and possible action related to Agreement No. CS-704. (Huey)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for Agreement No. CS-704, Harry Tracy Water Treatment Plant Demonstration Filter Design & Full Scale Study, receive and evaluate bids, and return to the Commission for award and authorization to negotiate a professional services agreement. The estimated cost of services is \$375,000 for the Phase 1, Demonstration Study work.

Amend

19. Discussion and possible action related to Agreement No. CS-672 A. (Hickman)

Staff Recommendation: Approve Amendment No. 1 to Agreement No. CS-672 A, Lubet Permitting and Design, with URS Corporation to extend the contract for an additional 24 months with no cost increase, and authorize the General Manager of Public Utilities to execute this amendment extending the total contract period to a term of 42 months from the date of Controller certification and maintain the amount of the contract at \$396,000.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

DOCUMENTS DEPT.

JAN 28 2004

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

November 25, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 1:33 P.M.
2. Roll Call: Present – President E. Dennis Normandy, Vice President Robert J. Costello, Commissioner Ann Moller Caen, Commissioner Adam Werbach, Commissioner Ryan L. Brooks

President Normandy welcomed two new members to the SFPUC Commission, Commissioners Adam Werbach and Ryan Brooks, noting their excellent track records and potential for being outstanding commissioners. *With the concurrence of Vice President Costello and Commissioner Caen, President Normandy requested Commissioner Werbach to take the lead on environmental issues and their impact on SFPUC projects. He asked Commissioner Brooks to take the lead on real estate matters and SFPUC minority and local business contracts.*

President Normandy took the occasion to inform the new Commissioners on matters regarding the SFPUC Commission. He stated the Commissioners are sworn to assume the broad constituency of all of the citizens and residents of the City and County of San Francisco (CCSF) and those served water in the counties of Alameda, Santa Clara and San Mateo. He stated the Commission needed to see the big picture, be able to weigh the interests of many groups and use proper decision-making processes to make the best decisions for the most number of people. He stated the job of the 5-member Commission was to develop policy and oversee the execution of those policies by staff through the General Manager. He stated the Commission provided the resources and allocated what was needed by staff to do the best job in the tasks set forth by the Commission. He stated the Commission provided political cover for staff protection.

President Normandy identified the three major tasks set forth by the Commission: 1) to complete the \$3.6 billion Capital Improvement Program (CIP) in compliance with the voter mandate of November 2002, 2) to take the steps to find the appropriate sources to make up for the 20% water supply shortfall, and 3) to accomplish the organization of the SFPUC to follow an efficient business model. He noted that currently the SFPUC was in the position of creating jobs and boosting the local and Bay Area economy. He also noted that performance accountability was part of the business model. He stressed the importance of maintaining a sense of stewardship at the same time responsibility and performance accountability were pursued. He stated reiteration of these elements was important in welcoming the new Commissioners and expressed the importance of a shared outlook and working toward the tasks at hand.

3. Approval of Minutes

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the Minutes of the October 14, 2003 Regular Meeting as amended; passed (5-0)

unanimously. President Normandy stated as the November 18, 2003 Special Meeting was cancelled, there was no need for minutes.

4. Communications

President Normandy requested that communications and reports from staff to the Commission be distributed to them before meeting days to allow them to study the materials.

President Normandy announced that the International Habitat Conservation Award was given to the Crystal Springs Golf Course, noting the environmentally conscious manner in which the golf course has been managed.

President Normandy urged fellow Commissioners to attend the December 18 meeting of the Bay Area Water Supply & Conservation Agency (BAWSCA). He asked Ms. Patricia E. Martel, SFPUC General Manager, to comment. Ms. Martel responded that in her update to the Commission, she indicated there was a conflict on December 18 as it was SFPUC's and the Department of Public Work's (DPW) first joint annual holiday event. She stated she'd advised BAWSCA she would not be present because of the conflict.

President Normandy stated his intention to accept the BAWSCA invitation, and he further suggested that the Commissioners who could be present at both the SFPUC party and the BAWSCA meeting do so. *He requested staff prepare briefing papers for each Commissioner for their knowledge so as to address the issues BAWSCA raised, particularly the letter from their Chairman.*

Related to the holiday event, President Normandy commented on SFPUC working in tandem with another City department. He candidly stated that there was a rumor about the possibility of SFPUC merging in with DPW. He dispelled the rumor noting it was a collegial partnership and a social event.

Ms. Martel concurred with President Normandy and clarified that SFPUC had been working closely with DPW in the recent months. She stated for the last year she had worked closely with Mr. Harlan Kelly, Jr., Assistant General Manager of Infrastructure, who came to SFPUC from DPW. She stated DPW was a valued partner of SFPUC on many projects, and increasingly so with the CIP and the need to use all the City's available engineering resources. She stated Mr. Kelly had been effective in developing the partnership and that the joint holiday event was a highlight of the partnership.

President Normandy stated that two SFPUC newsletters had been received—a Lake Merced update and a Government Affairs publication. He noted that both newsletters did not adhere to SFPUC layout and format styles and violated the graphic and communications design the Commission approved. *President Normandy requested the Chief-of-Staff and Acting Communications Director*

monitor publications for a consistent look and message to maintain a unified communications program.

5. Old/Ongoing Business by Commissioners

President Normandy requested staff provide the latest report on SFPUC's responses to the City Controller's audit by the next meeting.

President Normandy requested that the water banking issue be addressed in a meeting before the end of the year.

President Normandy requested a report on improvements to the website to make it more current, meaningful and inclusive of the issues being addressed.

On the subject of the Communications Plan, President Normandy, stated the entire Communications process needed to integrate stakeholders, the environmental community, City-wide teams, and SFPUC's internal group. *He requested a report on the Communications Plan by the end of 2003 or early in 2004.*

President Normandy inquired if the AES, EISB and ARA contracts brought to the Commission's attention had been settled. Ms. Martel stated her last communication with Mr. Kelly indicated that the individuals involved had met with Mr. Kelly and their issues had been resolved satisfactorily.

Regarding the Project Labor Agreement (PLA), President Normandy stated the Board of Supervisors (BOS) presented a deadline to follow. *He noted the work had been continuing, and requested an update before the end of 2003 or early in 2004.*

6. Introduction of New Business by Commissioners

Commissioner Caen referred to a letter from Mr. Steve Lawrence to President Normandy, dated October 29, regarding the CIP. *She requested that his questions be answered and that the communication be distributed to the Commission.* Ms. Martel informed the Commission that SFPUC regularly received communications from Mr. Lawrence, met with him directly, provided him documents requested through the Sunshine Ordinance and responded to his letters. She stated she would provide the Commission with a copy of the response to his letter. Commissioner Caen stated her point was she wanted the Commission to have the answers to the questions he posed, not necessarily the response given to Mr. Lawrence.

President Normandy stated he had received a communication that staff made payment on a particular contract that exceeded the amount in the resolution approved by the Commission. *He asked Ms. Martel to look into the matter as soon as possible and that staff provide a report to the Commission.* He stated it was a serious matter when staff circumvented direction formalized in a resolution.

President Normandy stated the Commission was welcoming two new Commissioners and saying farewell to two. *He requested staff plan a hail and farewell event for the Commissioners early in 2004.*

President Normandy requested that the performance evaluation of the General Manager be scheduled on the next agenda.

7. Report of the General Manager

a) Lake Merced Update

Mr. Greg Bartow, Groundwater Program Manager, covered two Lake Merced issues: 1) an update on lake levels, and 2) the status of ongoing investigations.

Mr. Bartow stated the latest water addition ended on October 17, 2003, resulting in another 2-foot increase in lake levels. He stated water additions were done for two reasons: 1) to increase beneficial uses by increasing water levels of the lake, and 2) for scientific study purposes to better understand the volumes of water needed to be added to the lake for long-term maintenance of lake levels. He stated the lake was now at 21 feet at gage board. He presented a historic hydrograph of the lake showing the lake levels back to the 1930's and how the lake level had fluctuated over time by 20 feet. He noted the precipitous climb in the late 1980's that resulted in the recent attention to raise and stabilize the lake. Current data showed that since October 2002, the lake has been raised 4 feet, largely by supplemental SFPUC water additions and average rainfall. He stated an interim plan on lake-level management was being worked on and would be brought before the Commission in the Spring.

Mr. Bartow stated the results of recent investigations relative to setting a long-term lake level range had been posted on the website. He stated various lake level elevations and supplemental water sources were being considered. He stated as the lake level is raised, the lake becomes a larger surface water body of about 25 acres, of which there would be 25 acres of shoreline habitat to investigate in terms of the effects to the riparian and wetland habitat and balancing them with the other beneficial uses of the lake. He stated it was a key report and one that would figure into the final decision-making process to craft a final Lake Merced water target elevation in coordination with other regulators, such as the Lake Merced Task Force and other members of the public. He stated the report was on the website for public comment through January 8, 2004 and that an extensive update was forthcoming in April 2004.

Commissioner Caen asked if the lake level was holding firm with the water additions, or if there were water losses. Mr. Bartow stated water losses were due to evaporation and going into the subsurface groundwater. He stated the losses at the current lake level were about half a million gallons per day, or about 500-acre

feet per year if held at the lake level. He stated the deeper aquifers of the groundwater basin were eventually recharged.

Commissioner Werbach asked how the riparian regeneration was being monitored and if the lake levels were being considered as permanent or as one-time recharges. Mr. Bartow stated in regard to monitoring, a series of transects had been put in the survey and determine changes in biologies. He stated the transects had been created to monitor where the vegetation was relative to new lake levels.

Commissioner Werbach stated there was benefit from high-water events versus a long-term sustained higher level of the lake, and asked if different options were being considered. Mr. Bartow stated the water additions done had been short-term. He stated the lake fluctuated on average 2-3 feet each year—going up during the winter and dropping in the summer. He stated biologists advised that type of fluctuation should be maintained long-term even with supplemental water additions. He stated the summer drop allowed the plant community to be sustainable on the lake fringe. He stated the available water had been taken advantage of for scientific purposes. He stated a final target lake level had not been determined, but that most SFPUC staff and experts agreed that higher water lake levels were preferred, as did the community.

President Normandy commended Mr. Bartow for his role in recent months on the Lake Merced project. He commented on making a distinction between public involvement and public education, stating public involvement was early in the process and education was later on in the process. He stated often SFPUC might make decisions on its own and use public participation to educate the public on its decisions. He stated public involvement was more of a two-way process. He stated it was important in the process of restoring the lake that SFPUC make sure that public involvement was continuous, so that when decisions were made, the public had been part of the process and felt a sense of ownership by contributing to the process.

President Normandy requested that Mr. Bartow meet with Commissioners Werbach and Brooks to orient them on Lake Merced issues, which are among the most important concerns of the Commission.

b) State Legislative Update

Ms. Suzanne Arena, Government Affairs Manager, provided a brief update on state legislation. She informed the Commission that the Legislature adjourned on September 12, and Governor Davis had until October 12 to sign or veto all the bills.

Ms. Arena stated from the SFPUC's perspective, the most recent significant action was the Governor's veto of AB 1051, a bill introduced by SFPUC that would resolve a dispute between the University of California and SFPUC regarding the

monthly rate. She shared that it was a contentious battle, but that it was approved on a bipartisan basis. She shared there was pressure on the Governor from the educational community and he sided with them. She stated SFPUC and its cosponsors were considering other legislative options to reintroduce the bill.

Looking towards 2004, Ms. Arena stated the most significant issue would be legislation related to public notification regarding water quality. She stated the Metropolitan Water District had proposed a change in terminology related to water quality notification regarding the level of contaminants discovered in groundwater. She stated the proposal also suggested it be applied to surface water for consistency. She stated most water agencies agreed with the change as it would help to communicate what the real risks were to the common person. She stated the change would significantly impact how SFPUC communicated with its wholesale and retail customers. Ms. Arena stated the SFPUC Legislative Committee was considering the policy decision and would provide a recommendation in February in the Government Affairs Plan (GAP) update.

Ms. Arena reported on the legislative activity of water district accountability. She stated in the past 6-7 months, *The Sacramento Bee* had published 30 editorials and investigative pieces on various water district abuses, including financial audits; meeting stipends, director benefits, staff and Board travel and other expenses, etc. As a result, State Senator Deborah Ortiz announced she would introduce legislation to address the issue. She stated CCSF was a charter city and generally not subject to state laws regarding accounting practices. She stated the question would be whether the reforms were written to apply to special districts only or to cities and counties as well.

Ms. Arena stated all legislation must be introduced by February 20, 2004. She stated the GAP, the document that identifies Government Affairs priorities, would be revised and brought forward to the Commission in February.

President Normandy asked if the GAP could be presented at the first meeting in February. Ms. Arena responded that she needed to look at all the bills by February 20 to see what was included and that SFPUC shouldn't make decisions before it was known what they were. She suggested the next meeting after February 20. President Normandy agreed on the suggestion, but emphasized urgency in the matter.

Related to the Ortiz legislation, he requested that the Commission continue to be posted about it and asked for a February update. He stated there could be certain benefits to SFPUC if tighter controls on finance and accounting were created.

President Normandy announced that City Hall technicians needed to shut down the audio-visual equipment due to technical difficulties. The meeting was recessed at 2:13 P.M. The meeting reconvened at 2:17 P.M.

c) Consent Calendar Policy Revision

Ms. Martel introduced the report stating it was a follow-up report regarding parameters for items to be placed on the Consent Calendar (CC) and the Regular Calendar (RC) and about taking advertisements off the CC. She stated Mr. Harlan Kelly, Assistant General Manager of Infrastructure, had created a matrix to convey how items would be placed on the CC or RC.

Mr. Kelly stated that at the October 14 Commission meeting a proposal to streamline the process was presented. He stated that from the discussion a policy was being created.

President Normandy requested curtailing the presentation in the interest of time. He stated the CC was a fast-track tool for the Commission to move ahead on the 77 CIP projects. He proceeded to state there were four elements to the CC: 1) items under \$5 million, 2) awards and approval of specs, 3) advertising and/or closing out of contracts, and 4) emergency declarations.

Commissioner Werbach stated it made sense, but remarked that the matrix referred to CIP, non-CIP and emergency contracts. President Normandy noted the Commission and voters had already approved the 77 projects. Commissioner Werbach clarified that what President Normandy stated was different from the matrix. President Normandy affirmed this and stated it was why he jumped in rather than expend time on it, and that if everyone was in agreement, they could proceed.

Commissioner Brooks requested that the information provided on the CC include WBE/MBE participation so that the City's goals and objectives were achieved.

Mr. Kelly stated the main purpose for the proposal related to advertising, and wanted to clarify if President Normandy was saying that advertising for the CIP didn't have to go on the CC. President Normandy recapped that advertising, spec approval, awards, and closing out of contracts on the 77 CIP projects, provided the amount was under \$5 million, would be on CC.

Mr. Kelly stated the point of the matrix was to eliminate the step of placing advertisement on the CC and to advocate for presenting a monthly General Manager's report to the Commission listing the contracts to be advertised. He stated it was necessary to present the awarding of contracts to the Commission for action. He stated placing advertisements on the CC or RC meant an action couldn't be taken quickly because of the 10 days-4 weeks wait time of placing them on the agenda. He stated the proposal was meant to save time by not putting advertisements on the CC and that when contracts were ready, they would be advertised as quickly as possible and save the 10 days-4 weeks wait time. He stated the point was to capture the timesaving in advertising.

President Normandy stated an excellent point had been raised. He stated the CC was a fast-track process and that the policy had always included, advertising, awards, spec approvals and close outs. He stated if the Commission approved a policy of placing advertising on the CC, staff could make the decision if it was necessary for the Commission to see advertising, and the Commission could make a policy exception for advertising the 77 CIP contracts on the CC.

Ms. Martel stated the thrust of the continued discussion over several meetings revolved around the issue of whether or not there was a legal requirement to have advertising on the calendar. She stated it was not a legal requirement, noting a specific action to advertise was not required and that the real action was when a contract was awarded and there was an expenditure of funds. She further noted that the CIP projects had already been authorized by the Commission so that when projects would be advertised, the Commission had already given authority through the approval of the CIP. She explained that it was advertising that caused the delays of several weeks referred to by Mr. Kelly, and that the time could be used for getting the contract moving forward and expediting its award. She stated she understood the Commission's need for information, but asked if they would be comfortable with a monthly report of items to be advertised. She stated if questions arose regarding advertisements, a report could be given to the Commission in advance of the contract award.

President Normandy stated he thought everyone was in agreement on the objective, but it was the methodology of putting it into a policy.

Commissioner Werbach stated he supported moving items in the CC. He stated if the advertisement report was systematized, allowing for the Commission to pull items off for discussion, he was comfortable with it, noting the best time for input was then rather than before the contract was to be signed.

Mr. Kelly stated it was a valid point and that what was being advocated was providing the Commission with a General Manager's monthly update of what contracts were to be issued within the next few months and giving the Commission the opportunity to identify contracts they wanted more information about before or during advertising.

Commissioner Caen asked for clarification regarding if the advertisements in the General Manager's report would be what went out to be advertised or what would be advertised in the future. Mr. Kelly stated the report would include advertisements in the future and would give the status on the ones reported the previous month. He stated the purpose of the report was to provide a look at what projects were planned for advertisement and would allow the Commission to flag items if they wanted more information.

Commissioner Caen asked if it would be a written or oral report. Mr. Kelly stated it would be written and in a format that would include cost, schedule, duration, HRC goals, etc.

Commissioner Caen requested that the modifications and amendments under CC include the history of the project for knowledge purposes. Mr. Kelly added that modifications of less than 10% would be on the CC and anything over 10% would be full agenda items. President Normandy stated the Commission could not abdicate its authority to investigate modifications on contracts and that if it was beyond 10% it come back to the Commission. Mr. Kelly stated information would be provided on both either way.

President Normandy summarized the CC into three parts: A) all CIP projects under \$5 million, including awards, approval of specs, acceptance of work, closing out of contracts and modifications under 10% of total project, B) emergency declarations, and C) a written report on advertising projects would be provided by the General Manager in lieu of including it on the CC.

Commissioner Brooks requested that the MBE, WBE and local business goals under awards be included in the report. President Normandy concurred.

President Normandy requested that staff write a CC policy statement, based on today's discussion, and present it at the next regularly scheduled meeting. He requested a draft be prepared for the Commission in advance of the meeting.

d) Revenue Bond Oversight Committee

Ms. Martel shared that the Revenue Bond Oversight Committee (RBOC) had its first meeting on November 12. She stated all members were not present so elections and approval of the bylaws was continued to their next meeting in January 2004. She stated RBOC had requested monthly meetings for several months until the CIP finance presentations were completed. She stated thereafter, RBOC would meet quarterly until bonds were issued.

President Normandy inquired if congratulatory letters to the RBOC members and offering the Commission's support had been sent. Ms. Martel stated letters had been sent.

Ms. Martel's final item, not listed on the agenda, was a presentation of an award from San Francisco Beautiful to SFPUC for its part in enhancing the 3rd Street Corridor for the Bayview Gateway Beautification project. She stated other City entities, organizations and local businesses also received awards. She stated the SFPUC project was an \$11 million booster pump station project to improve the performance and reliability of the pump station located at 3rd Street and Arthur Avenue. She stated the scope of the project was to modify the pump station and replace mechanical electrical equipment to ensure that effluence was reliably

discharged from the Southeast Plant into the Bay offshore Pier 80. She stated the environment and the area were improved.

Ms. Martel shared that the project team included SFPUC and DPW staff and that during the planning, designing and construction staff worked with Robin Chiang of Friends of Islais Creek in the development of the exterior design and the landscaping. Ms. Martel stated the pump station now operated within permit requirements and addressed local community concerns. She acknowledged project manager Manfred Wong, landscape architect Martha Ketterer of DPW's Bureau of Engineering; architect Edmund Shum of DPW's Bureau of Architecture; John Loiacono and Meei-Lih Ahmad of WPC Engineering Division; city planner Barry Pearl; city attorney Charles Sullivan; and CMD engineer Abdirahman Abdi.

President Normandy thanked and congratulated everyone involved on behalf of the Commission.

President Normandy asked Ms. Martel to introduce the officials attending the meeting in advance of Item 11.

Ms. Martel stated Item 11 was a review of the findings of a just-completed rate study. She stated Proposition E created the opportunity for SFPUC to engage in the rate study and a Rate Fairness Board (RFB). She stated the RFB's job was to assist the General Manager and Commission in reviewing the 5-year rate study required under Proposition E. She stated the RFB was in attendance to hear the findings and introduced the members: City Administrator – Bill Lee; City Controller – Ed Harrington; Director of Mayor's Office of Public Finance – Monique Moyer; mayoral appointee – Commissioner Bobbie Brown of Southeast Facilities Commission; mayoral appointee – Matt Adams, and BOS appointees Howard Asche and Bill Wilkinson.

President Normandy thanked Ms. Martel and extended thanks to the RFB members for their talents and time.

8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report
 - a) BAWSCA Water Conservation Activities

President Normandy announced that the BAWSCA report was rescheduled for the next meeting on December 1, 2003.

9. Public Comments on matters not on today's agenda.

Mr. Matthew Huey, Vice President of Asian American Contractors Association, spoke in regard to the PLA proposal. He expressed concern about other PLAs in the past not employing local businesses, giving the example of San Francisco

Airport which had 21,000 workers, 10% being local residents, resulting in 90% of the revenue generated going to workers outside San Francisco. He stated projects for the next 10-12 years were bond issued and that there was a need to design the PLA to work for everyone, especially local businesses supporting the bond issue. He stated concessions needed to be made. He noted HRC had an ordinance requiring 50% local hiring and suggested that local San Francisco area projects, estimated at \$450 million, be excluded from the PLA to allow minority and women's businesses to bid on the projects without joining the unions. He stated they would participate with the prevailing wage requirements required by the Office of Labor Standards. He stated another issue of PLAs was the benefits paid to the unions and having to join the unions to participate on the projects. He stated the unions kept the benefits paid out and if a business was not vested, the employees lost the money. He requested that there be portability for other types of benefits so workers would not lose. He also requested use of their core work force. Mr. Huey urged the SFPUC to accept their apprenticeship program, noting the program City College of San Francisco had adopted was excluded from the PLA.

Mr. Ed Tong, Asian Inc., spoke in regard to the PLA. He noted there was a provision in the CIP bond allowing for discussion and negotiation of a PLA. He stated SFPUC staff had been developing a PLA template, but it had not come up for public discussion. Mr. Tong requested that the Commission direct the General Manager to consider some points that should be in a PLA and to consider the local hiring requirement of the San Francisco ordinance. He submitted a letter to the Commission and asked that they pay attention to the subject of construction and the percentage of hiring. Mr. Tong stated there was an issue with projects set aside and how the HR Commission would set the highest goals within the local area. He stated CIP projects in outlying regions would have less MBE/WBE participation. He stated local projects were smaller and that he'd differentiated between the regional and local projects in his letter. He noted it was the smaller projects, which would have impact on local businesses and local hiring. He requested that his points for local hiring, setting aside projects from the PLA and an avenue for a core workforce be considered and incorporated into the template developed.

President Normandy requested Vice President Costello and Commissioner Brooks look into the issues raised regarding labor matters and local and minority business enterprises. He stated it was desirable to distribute as much of the work as possible to local and minority businesses, but to remain within the law and the agreements with unions. He requested that before directing staff, the two Commissioners look into the matters and come back to the Commission with recommendations.

Vice President Costello stated the issues presented could be dealt with after a complete review.

President Normandy requested that Vice President Costello take leadership on the matter and work with the General Manager to move it ahead.

Ms. Martel stated she would meet with both Commissioners to review the development of the PLA template, which she noted would be used in discussions with the building trades. She stated there was opportunity to review it and that recommendations could be incorporated before meetings were held with the building trades concerning the PLA. Vice President Costello concurred. President Normandy stated staff should present a draft to the two Commissioners from which to work.

CONSENT CALENDAR

10. Moved by Commissioner Caen, seconded by Commissioner Brooks, to adopt the items (a-g) listed under the Consent Calendar; passed (5-0) unanimously.
 - a) Resolution No. 03-0217: Approve the plans and specifications for Contract No. WD-2390, Ingoing Road Repair Near Five-Points, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$861,000.
 - b) Resolution No. 03-0218: Approve the plans and specifications for Contract No. WD-2398, Merced Manor Reservoir Upgrade, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$5,332,960.
 - c) Resolution No. 03-0219: Approve the plans and specifications for Contract No. WD-2452, Tesla Portal Roadway Improvement, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids. The engineer's estimate is \$243,000.
 - d) Resolution No. 03-0220: Award Contract No. CW-291, 19th / Castro / Eureka Streets Sewer Replacement, in the amount of \$427,660 to Harty Pipelines, Inc.
 - e) Resolution No. 03-0221: Award Contract No. CW-343, Oceanside Water Pollution Control Plant Primary Switch, in the amount of \$245,000 to U.S. Electric Technologies, Inc.
 - f) Resolution No. 03-0222: Award Contract No. WD-2366, 8-Inch Ductile Iron Main Installation on Scott Street, in the amount of \$931,475 to Shaw Pipeline, Inc.

- g) Resolution No. 03-0223: Accept work performed for Contract No. WD-2367, Harry Tracy Water Treatment Plant Ozone Cooling Improvements, for a total contract amount of \$873,606.17, and with a total contract duration of 240 consecutive calendar days, and authorize final payment of \$43,680.27 to Schram Construction, Inc.

REGULAR CALENDAR

11. Presentation of Sewer Rate Study performed by Black & Veatch.

Ms. Martel introduced Item 11, stating it provided the findings of the rate study conducted in recent months on the SFPUC sewer rates. She informed the Commission that consultants from Black & Veatch would make a presentation on the study after she briefed the new Commission members on the history of undertaking a rate study and the responsibilities of the RFB.

Ms. Martel stated SFPUC had two measures on the November 2002 ballot: 1) Proposition A, a bond to improve the water system, and 2) Proposition E, a reform measure providing the Commission with a definition of the responsibilities regarding the oversight, management, approval of expenditures and generation of SFPUC revenue.

Ms. Martel stated the SFPUC operations had been affected by the passage in 1996 of the sewer and water rate freeze. She stated as a result, the revenues from sewer and water remained flat and that SFPUC expenditures continued to grow during the same time period. She stated expenses now far exceeded revenues. She shared that Proposition E lifted the rate freeze on sewer rates and required the SFPUC to conduct a study to determine whether or not a rate increase was appropriate at this time.

Ms. Martel recalled that during CIP presentations in the last year, one of the recommendations she made was to move forward with a rate study. She stated Proposition E reaffirmed that rate studies would be a regular recurring event henceforth. She stated the Commission and the RFB would review rate studies. She stated the appointed RFB included public finance experts and community representatives, whom reflected the residential and commercial business communities and the rates each paid for SFPUC services.

Ms. Martel stated today was the inception of moving forward on the first phase of implementing Proposition E, being the sewer rate study, and phase two would be the water rate study. She noted the findings would be reviewed in detail with the RFB. She stated the RFB was authorized to hold hearings and to make recommendations to the Commission regarding any recommended rate increases.

Ms. Martel stated Proposition E provided specific language in Section 8B.125, indicating SFPUC would retain an independent rate consultant to conduct rate and cost-of-service studies for each utility at least every 5 years. She stated the other requirements: 1) set retail rates, fees and charges based on the cost of service, 2) conduct all studies mandated by applicable state and federal laws to consider implementing connection fees for water and clean water facilities servicing any new development, 3) conduct studies of rate-based conservation incentives and/or lifeline rates and similar rate structures to provide assistance to low-income users and take the results of such studies into account when establishing rates, fees and charges in accordance with applicable state and federal laws, and 4) adopt a rolling 5-year forecast of rates, fees and other charges.

Ms. Martel stated SFPUC staff had worked with the consultants and reviewed the study. She stated the RFB would assist staff with implementation and staff would work with the RFB to develop their recommendations. Ms. Martel announced that Item 11 was informational and no action would be taken. She stated when the RFB completed its recommendations, the Commission would be required to hold a public hearing to review future rate increases with the public.

Mr. Jacob Boomhouwer, Consultant for 30 years with Black & Veatch, stated he would present a summary of the results of the SFPUC Clean Water Enterprise Wastewater Rate Study. He informed the Commission that Black & Veatch was a large engineering firm with 100 employees dedicated to performing utility rate and financial studies throughout the United States. He stated half the largest 50 metropolitan areas in the United States had used the firm for those services.

Mr. Boomhouwer stated the rate structure for the Clean Water Program (CWP) was last reviewed in 1984 and the rates were frozen with Proposition H in 1996. He stated rates remained constant since 1996, but the passage of Proposition E started the process of looking at the utility and rates.

He stated the results of the study could be summarized in three basic questions: 1) Are revenues under existing rates sufficient to meet costs? 2. Does the existing rate structure reflect cost of service? 3. Can rates be used to achieve low-income policy goals?

Related to the first question, Mr. Boomhouwer displayed a graph that depicted what happened to CWP rates frozen over the last several years. A typical residential customer had a rate frozen at \$24.92. For the same time frame with cost of living allowances, the rate would be \$30.86 in 2003, using the consumer price index.

A second chart presented by Mr. Boomhouwer, depicted analysis of the existing rates versus revenues, and showed the current rate levels were not generating sufficient revenues to pay expenses. He noted the chart showed total revenues from 2003 projected onto 2008 in the \$137-140 million range. The chart also

showed total expenses from 2003 projected onto 2008 in the range of \$147-195 million. He explained that the main reason for the increase was due to existing debt service. He stated the chart showed the utility ran \$10 million in the red in 2003, \$16-18 million in the red in the next several years, and by 2007 would operate \$55 million in the red. A third graph showed in another format how the expenses exceeded revenues and would get more drastic over time

Mr. Boomhouwer's fourth graph depicted SFPUC's fund balance. It showed how the fund balance of \$19 million enabled the agency to operate in 2003 and that the reserves would hardly enable it to operate to the end of 2004. The chart showed if nothing was done, expenses and revenues continued at their current pace, the deficit the utility would accumulate by 2008 would equal one year's annual revenue. He stated a minimum desired balance for the utility was \$25 million.

Mr. Boomhouwer stated additional revenue was needed as soon as possible. He stated an additional \$40 million was needed to pay utility expenses and build required reserve by the end of FY 2005. He stated that represented a 30% rate increase and suggested the increase be effective July 1, 2004. He stated small additional rates would be required in the future to pay increased debt service costs and capital improvement program needs.

In summary, Mr. Boomhouwer, stated the answer to question #1 was no, and for four reasons: 1) revenues under existing rates were insufficient to meet revenue requirements in all years, 2) increasing fund deficits, 3) revenue capacity of existing rates had been eroded by cost of living, and 4) requirements of Proposition E would not be met to maintain the financial health and reserves of the utility.

Regarding question #2, Mr. Boomhouwer stated Proposition E required rates be based on cost of service. He stated the last independent cost-of-service study was done in 1984.

Mr. Boomhouwer stated cost of service required users to pay their fair share. He explained cost of service was the calculated cost of serving a customer based on the customer's service requirements. He noted that in CWP both flow and strength parameters needed to be considered and figured into setting fair rates and charges for everyone. He clarified that practicality dictated grouping customers by classes and that there were three major groupings: 1) SFR – Single Family Residential, 2) MFR - Multi Family Residential, and 3) Commerical/Industrial/Municipal. Mr. Boomhouwer noted that cost allocation under the current rate structure had not changed in 20 years.

Mr. Boomhouwer showed a fifth chart of a cost-of-service comparison for FY 2005, depicting an across-the-board adjustment in 2005 to reflect the indicated 30% adjustment that was indicated, with a total revenue of \$170.3 million, and divided between the three groupings. He stated a cost-of-service analysis recognized flows, strengths, and number of users. The chart showed SFR customers would

pay \$46 million as opposed to \$39 million, a 15% difference. MFR customers would pay \$69 million compared to \$61 million, a 15-20% adjustment. The third grouping would overpay by \$14 million. He stated, from a strict cost-of-service analysis recognizing the various requirements of various users, there was some disparity.

In summary, Mr. Boomhouwer stated the answer to question #2 was no, and for two reasons: 1) rates were fair when customers paid their proportionate share, and 2) current rate structure subsidized residential customers at the expense of other customers.

Regarding question #3, Mr. Boomhouwer shared that Proposition E stated that the City would conduct... "studies of rate-based conservation incentives and/or lifeline rates and similar rate structures to provide assistance to low-income users."

Mr. Boomhouwer stated SFPUC currently had a lifeline rate system in which the first 3 units of water were at a reduced rate of \$1.86 excluding capital costs and the units over this were at a higher rate. He stated the system provided relief to all residential customers. He stated lifeline rates were the most common form of discount/relief to customers because it was easy to implement and administer one price to a certain number of units and a second price to the other units.

Continuing, Mr. Boomhouwer stated low-volume does not mean low-income user. He pointed out that current lifeline rates were not consistent with Proposition E language. He noted that 50% of residential usage falls in lifeline with 40% of SFR usage and 60% MFR usage receiving the discount. He stated the current system provided some relief but did not target low-income users.

Mr. Boomhouwer suggested there were alternative approaches that could target low-income users. One alternative was to offer a discount only to those who qualify, an approach used by other utilities. He stated those qualifying would have a discount on their entire bill. He gave an example of a 20% discount to qualified customers using the PG&E low-income users qualification system. He stated the difficulty for CWP with this approach was with the MFR customers who were charged by the entire property and not individual units as they weren't metered as individual units.

Mr. Boomhouwer stated such a system could benefit needy customers and potentially reduce qualifying customers to 14% of residential dwelling units, per PG&E data. He stated there was a significant difference between the 14% of customers that might be low-income and needy as opposed to more than half the volume sold to all residential customers. He stated implementation would have an impact on non-qualifying residential customers. He stated it would be challenging to implement the system so that the benefit went directly to the users of MFR accounts as opposed to the property owner.

The sixth chart presented by Mr. Boomhouwer showed a comparison of the average SFR monthly bill for 7 units with \$24.92 being the average existing rate. With a 30% across-the-board adjustment it would be an average \$32.40, taking into account that it would be \$30.86 with a cost-of-living adjustment had the rates not been frozen. He stated if the current Lifeline rate was continued with the same methodology of calculation, but some cost-of-service adjustments were made to reflect the changes in the system that have occurred in the last decades, the average SFR rate for 7 units would be \$33.62. He stated if the cost-of-service adjustments were made, but that there was a targeted approach offering a 20% discount to those 14% of qualified users instead of the lifeline approach, the base rate for the qualified users would be \$29.45 and \$36.82 for other users.

In summary, Mr. Boomhouwer stated the answer to question #3 was yes. He stated the lifeline rate structure was easy to implement and provided rate relief to all residential customers regardless of need, but that it does not specifically target Proposition E. He also stated that low-income discounts were more challenging to implement, but could target needy customer and renters. He stated many utilities do that, but that targeting needy customers and renters was more difficult and would require more administrative effort to identify the qualifying customers.

Mr. Boomhouwer concluded his presentation and availed himself for questions. He stated Mr. Sudhir Pardiwala, Black & Veatch Consultant, was present to answer questions also.

Commissioner Brooks inquired if SFPUC provided discounts to users that conserve water. Mr. Boomhouwer reiterated there was the discount for everyone on the first 3 units. He noted that the average in San Francisco was very low, attributing it to people realizing that conservation and maintaining low volumes made a significant savings on their sewer bill. He noted that averages in other places they have worked have been higher than San Francisco, which he stated was a reflection of the rate structure and lifeline rates.

Commissioner Brooks stated SFPUC should provide incentives for individuals that conserve as well as to encourage people to start conserving and use less water.

Mr. William Laws, SFPUC Rate Administrator, stated there was a conservation incentive in SFPUC water rates. He stated that during the 1987-1992 drought, the City passed a number of conservation ordinances that required residential and nonresidential users to retrofit with low-flow plumbing devices. He stated customers who had retrofitted and submitted affidavits of compliance were given a rate 50% lower than the rate for those customers who had not complied with the conservation ordinance.

Commissioner Werbach inquired if rate setting could help conservation goals and if connection fees could be used to help offset some off this. Mr. Pardiwala stated rates were used to effect conservation in many agencies and the SFPUC water

rate structure currently did that. He stated some agencies set tiered-rates on wastewater to provide incentives to low-volume users, which helped with conservation.

Commissioner Werbach commented there was more to be done and that if a new rate structure was to be implemented, this provided an opportunity to revisit the matter. He asked how often people were given the chance to retrofit and sign up for taking conservation measures. Mr. Laws stated a customer only had to submit an affidavit one time. He stated whenever property changed hands, the property was subject to inspection, and if the customer had not complied with the conservation ordinance, they were required to do so before the exchange could be recorded.

Commissioner Werbach inquired what percentage of houses had complied. Mr. Laws stated he believed 95% of SFPUC accounts had submitted affidavits of compliance.

Commissioner Werbach asked if the rates being discussed were reflective of that, or if they were different. Mr. Laws clarified it was the water rates that were subject to the conservation ordinance. He noted when people conserve on their water use it also promoted conservation of wastewater discharges. He stated no specific conservation need for wastewater had been proposed, but it could be discussed with the RFB if they felt it was important.

Commissioner Werbach stated he was interested in hearing about other options and ways to address this. He stated he did not have the answers, but felt the Commission was directed to answer that question. He inquired again about connection fees. Mr. Pardiwala stated connection fees were used specifically to provide capacity in the system and could not be used to offset operating and maintenance costs. He stated connection fees were related to capital costs and should be used and accounted for separately by regulations.

Commissioner Werbach understood, based on how cost of service was defined, that it did not include new hookups. Mr. Pardiwala stated it was only for the rates. He stated the operating and maintenance costs and the connection fees were designed to be fair and equitable and not charge more than what it actually cost to provide service to a new user. He stated there were strict regulations regarding this. Mr. Boomhouwer stated it was operating costs that were being addressed.

Commissioner Werbach stated "rate fairness" had been defined as proportionate expense, so that people were paying equally based on their use. He asked if someone, possibly an RFB member, could provide the operating definition of "fairness" that was being utilized because it would direct the answer to the question, "What is a fair rate?"

Mr. Boomhouwer replied it was a good question. To answer, he stated, required going back to the Clean Water Act passed by the U.S. Congress in 1972. He stated one of the requirements was that all entities adopt systems to make sure that each user paid their fair share. Fair share was defined as the proportionate use of the system recognizing the flow and the loading characteristics. He stated since then the State has promulgated guidelines with specific formulas and procedures to be followed for allocating various costs of a utility to accomplish the goal of all users paying their proportionate share. He stated the methodology had existed for some time and was followed by everyone.

Commissioner Werbach stated the operating assumption was that the proportionate share was the definition of fairness, but that low-income goals and rate conservation could be factored. He expressed curiosity about the RFB's position on this.

Mr. Boomhouwer stated the Clean Water Act had been amended a number of times and that in the late 70's or early 80's, utilities were allowed to put systems into place that would provide low-income users with relief; therefore it was authorized.

President Normandy invited the RFB members to make comments or ask questions, as it was a joint presentation.

Mr. Ed Harrington, RFB Member, stated the RFB would meet in December at which time they would be asking a lot of questions. He requested that the RFB's questions be sent prior to the meeting to enable the presenters to come prepared. He stated he had issues with how the allocation of costs was done, relating to the discussion about fairness. He stated there were other issues and that it was good to ask questions now.

Mr. Bill Lee, RFB Member, addressed Commissioner Werbach's question about connections. He stated legally they couldn't be charged for it, but there were provisions to pay for infrastructure improvements in agreements with Hunter's Point Shipyard and Mission Bay. Mr. Lee stated that the 30% increase would hit the 3500 restaurants, 500 food markets and laundries heavily in the City, and that the sewer-rate increase, coupled with the future water-rate increase would be substantial. He offered that an explanation needed to be made to the public about the age of the Southeast Treatment Plant as well as the status of the plants at Oceanside, Richmond and Northpoint. He stated the question of why money is needed for maintenance outside of street maintenance would arise and needed to be articulated to the RFB. He stated the rate needed to be considered in context with other rates such as minimum wage, PG&E, commercial garbage rates, etc. He advised informing the Biotech Science Task Force, UCSF, the Department of Parks and Recreation and the Small Business Commission of the rate increases.

Mr. Howard Asche, RFB Member, addressed Commissioner Werbach's question about fairness stating the issue of what was fair was within the purview of whichever organization, board or commission had the authority to approve the rates. He stated fair could be whatever anyone wanted. He stated in this case it rested with the BOS. He stated there were diverse interests regarding water and clean water rates and that it was the job of the Commission, the RFB and SFPUC staff to determine something that dealt with all the competing constituencies fairly and equitably.

Ms. Bobbie Brown, RFB Member, urged consideration for retired and senior citizens.

President Normandy thanked Black & Veatch for the presentation. He stated there was a lot of work to be done and emphasized outreach needed to be as comprehensive and extensive as possible. He directed that further discussion be on the implementation and process. He also directed that further conversation address how joint efforts would be interlinked, when constituencies would be heard from and when decisions were required to move forward.

Ms. Martel responded that the next step in the implementation of the review process was for the RFB to meet with the consultants and staff who worked on the rate study. She noted there was a more detailed document than the highlights presented today and that the RFB would review the details and the questions raised today with the consultants. She stated the consultants would present the methodology applied and how they analyzed the information from which they developed the study, findings and recommendations. She stated the RFB could take whatever amount of time was necessary for the review. She stated they could hold noticed public hearings for the public to provide input to the RFB on the study and recommendations. She anticipated the real work of the RFB would begin in early 2004 and hoped they would be able to provide recommendations to the Commission so that SFPUC could take action on a potential rate increase in the Spring.

Ms. Martel mentioned she had informed the Commission that there was a hiring freeze in CWP due to financial issues. She stated it had been anticipated that the rate study and a potential rate increase would have been adopted already and as it had not happened, the recommendations presented in the budget process last year for revenue were not met. She stated steps were being taken to safeguard CWP's reserves. She expressed, as General Manager for SFPUC operations and services, it was urgent to fund them adequately and that some action be taken by the end of the fiscal year to move forward with the Clean Water Master Plan and a capital program for the sewer system. She suggested a timeline be made with the RFB to complete their process by April or May to move forward with considerations for a potential rate increase.

President Normandy acknowledged the fiscal crisis as well as the personal and environmental crisis of the affected Southeast constituency. For public record, he pledged that the Commission would help in whatever way to speed up the process.

Commissioner Werbach stated he was interested in hearing an answer to the questions about rate setting and conservation goals. He stated his concern was how a potential increase was being communicated to the citizens, assuming there was one. He stated conservation rate-setting goals could be helpful to the citizens when a communication was done. He expressed the hope that there was a parallel track being developed regarding communications and preparing for the time when rate increases might happen. He requested to hear updates in future meetings.

President Normandy stated there was no clearly defined nexus between water conservation efforts in the water operation and what was done in the sewer. He stated if there was any method available to make that correlation more clear and defined it would speed up the process. He thanked the consultants for their presentation and for RFB's presence for the inception of the partnership.

Staff Recommendation: Information only.

President Normandy recessed the meeting for a break at 3:43 P.M.

President Normandy reconvened the meeting at 4:00 P.M.

12. Discussion and possible action related to Project No. CUH762, Project No. CUH878 and Contract No. HH-902.

Moved by Vice President Brooks, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0224: Approve a transfer of funds in the amount of \$450,000 from Project CUH762 – San Joaquin Pipeline Repairs, to Project No. CUH878 – O'Shaughnessy Dam Supply to provide additional funds to accommodate modifications to Contract No. HH-902, O'Shaughnessy Dam Discharge Modifications.

Approve Modification No. 3 to Contract No. HH-902, O'Shaughnessy Dam Discharge Modifications, increasing the contract by \$255,000, for a total contract amount of \$3,783,909.08.

13. Discussion and possible action related to Project No. CENMSCTP04, Project No. CENMSCTP05 and Contract No. CW-263R2.

Moved by Commissioner Werbach, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0225: Approve transfer of funds in the amount of \$2,500,000 from Project No. CENMSCTP04 to Project No. CENMSCTP05.

Award Contract No. CW-263R2, SEWPCP Interim Gravity Belt Thickener (GBT) Facility, in the amount of \$3,613,519, to Schram Construction, Inc.

LEASES AND PERMITS

14. Discussion and possible action related to a Lease with Pacific Bell Wireless, dba Cingular Wireless.

Mr. Gary Dowd, Real Estate Services Director, stated the lease was on SFPUC watershed land and was in line with current SFPUC policy at \$3500 a month.

Commissioner Brooks inquired if the rates escalate over the years to adjust with CPI. Mr. Dowd stated there was an annual CPI adjustment.

Commissioner Werbach asked for a description of the land. Mr. Dowd stated the land was part of the Crystal Springs Watershed near the reservoir. He stated there were cottages along the Crystal Springs watershed where watershed keepers lived and that this was near a residence along I-280. He stated SFPUC had 10-15 cell leases that generated \$.5 million revenue a year.

Commissioner Werbach asked if the area was appropriate and asked for a description of what it was going to look like. Mr. Dowd stated all cell sites were subject to Golden Gate National Recreation Area guidelines, and in this case, the jurisdiction of San Mateo County. He stated a full permitting process was required. Mr. Dowd stated there had not been any difficulties over the years with the sites. He stated in some cases, additional tree coverage was planted and that some cell sites were made to look like palm trees. He stated cell companies were willing to address those types of concerns.

Commissioner Werbach asked if the item were approved, would it move onto the permitting process. Mr. Dowd responded that was correct and that it was possible the process had already begun. He stated Commission approval of the lease approved the deal.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0226: Authorize the General Manager of Public Utilities to execute a Lease with Pacific Bell Wireless, dba Cingular Wireless, a California corporation, for approximately three hundred (300) square feet of space for the installation of mobile/wireless antennas and related equipment used for the transmission and reception of radio communication signals on San Francisco Public Utilities Commission Watershed land located at Hwy 92 and Old Canada Road (aka Upper Crystal Springs Cottage site), San Mateo County, California.

Special Lease Clauses: 2.1.1, 12.3, 27.1, 27.2, 27.3, 27.4

15. Discussion and possible action related to a retaining wall and sewer and utility easement at 3750 Market Street.

Mr. Dowd stated the sewer easement and retaining wall were under the DPW jurisdiction. He stated the \$90,000 appraisal would be split with DPW.

President Normandy inquired if there would be any future need for the easement. Mr. Dowd stated the Operations group determined there was no future need for the easement.

Moved by Commissioner Werbach, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0227: Approve an agreement with John P. Sullivan and Jung Sook Sullivan, husband and wife, (Buyer) to Vacate and Quit Claim a retaining wall and sewer and utility easement located at 3750 Market Street in San Francisco in consideration for the payment of \$90,000.00 to facilitate the construction of a two-unit condominium project on Buyer's property.

CONSTRUCTION CONTRACTS

Advertise

16. Discussion and possible action related to Contract No. CW-314R.

Moved by Commissioner Brooks, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0228: Rescind Resolution No. 03-0156, approved by the Commission on July 29, 2003, approving the award of Clean Water Program Contract No. CW-314 Outfall Repairs at Various Locations, in the amount of \$408,560, to Bamer Construction; and authorize the General Manager of Public Utilities to re-advertise the contract in 2004 as Contract No. CW-314R Outfall Repairs at Various Locations, to receive and evaluate bids, and to return to the Commission with a recommendation for award.

Amend

17. Discussion and possible action related to Contract Co. HH-906.

Mr. Don Larramendy, Capital Program Liaison, stated the item was for a 136-day extension on the contract. He stated the contract provided for digging out and reconsolidation of soft spots on Cherry Hill Road, cracked sealing, and a finished slurry seal coat over the top. He stated all the work had been accomplished except the slurry seal, which was postponed due to cold weather and was scheduled for warmer weather in the spring.

President Normandy asked if the winter weather was the reason for the doubling of the total work time. Mr. Larramendy answered affirmatively.

Commissioner Werbach inquired about the slurry seal. Mr. Larramendy stated the existing road was asphalt and that the soft spots where there were drainage problems were repaired. He stated an emulsion was put into the cracks on the road, which required time to set up, as the emulsion is temperature sensitive. He stated the weather became cold and delayed application of the slurry seal on top of the road, but that the delay for warmer weather would produce a better quality job.

Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0229: Approve Modification No. 1 to Contract No. HH-906, increasing the duration by 136 consecutive calendar days for a total contract duration of 256 consecutive calendar days.

PROFESSIONAL SERVICE CONTRACTS

Advertise

18. Discussion and possible action related to Agreement No. CS-704.

Moved by Commissioner Brooks, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0230: Authorize the General Manager of Public Utilities to advertise and request proposals for Agreement No. CS-704, Harry Tracy Water Treatment Plant Demonstration Filter Design & Full Scale Study, receive and evaluate bids, and return to the Commission for award and authorization to negotiate a professional services agreement. The estimated cost of services is \$375,000 for the Phase 1, Demonstration Study work.

Amend

19. Discussion and possible action related to Agreement No. CS-672 A.

Mr. Steve Medbery, Bureau of Environmental Regulation & Management Manager, stated the item was for a 24-month time extension with no additional costs for a project to construct species mitigation for the California red-legged tree frog on SFPUC surplus property on the Peninsula. He stated the extension was needed because the regulatory agencies that issue permits wanted SFPUC to have a project requiring mitigation to be ready for their consideration in order for them to take their actions. He stated there would be a project at Crystal Springs Dam early next year and requested the extension to continue work.

Commissioner Werbach asked for a description of the scope of the project. Mr. Medbery stated surplus property on the Peninsula was being used to construct habitat for the California red-legged tree frog. He stated a number of projects in the vicinity were needed for mitigation credits. He stated it was a proactive measure on the part of SFPUC to get started on planning how the agency would construct mitigation for this.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-231: Approve Amendment No. 1 to Agreement No. CS-672 A, Lubet Permitting and Design, with URS Corporation to extend the contract for an additional 24 months with no cost increase, and authorize the General Manager of Public Utilities to execute this amendment extending the total contract period to a term of 42 months from the date of Controller certification and maintain the amount of the contract at \$396,000.

There being no further business to discuss, the meeting was adjourned at 4:19 P.M.

Mary Y. Jung
Secretary



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

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AGENDA

SPECIAL MEETING

11-26-03 PUC 151 1CV

December 1, 2003

10:00 A.M.

City Hall, Room 416

1 Dr. Carlton B. Goodlett Place

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Approval of Minutes
4. Communications
5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
7. Report of the General Manager
 - a) CIP Update (Kelly)
 - b) Recycled Water Master Plan Update – Project Status (Munoz)
 - c) EPA/AWWA Partnership for Safe Water 5-Year Award (DeGraca)
 - d) Bay Area Water Stewards (BAWS) Report (J. Olsen)
8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report
 - a) BAWSCA Water Conservation Activities (Jensen)
9. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

REGULAR BUSINESS

10. Discussion and possible action related to a loan agreement with the Blue & Gold Fleet. (Smeloff)

Staff Recommendation: Authorize a loan agreement in the amount of \$100,000 with the Blue and Gold Fleet (BGF) to install an energy efficient heating, ventilation and cooling (HVAC) system at BGF's corporate offices located at Pier 41.

LEASES AND PERMITS

11. Discussion and possible action related to a Revocable Permit to the City of Riverbank. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a Revocable Permit to the City of Riverbank for a portion of Public Utilities Commission pipeline right of way property to construct and install public improvements consisting of a sanitary/storm sewer, waterline and a street with curbs, gutters and sidewalk.

CONSTRUCTION CONTRACTS

Award

12. Discussion and possible action related to Contract No. WD-2378. (Fung)

Staff Recommendation: Award Contract No. WD-2378, Potrero Heights Supply Line, in the amount of \$2,555,487 to A. Ruiz Construction.

13. Discussion and possible action related to Contract No. WD-2407. (Fung)

Staff Recommendation: Award Contract No. WD-2407, McLaren Park Tank Outlet Modification and 24-Inch Ductile Iron Pipe from McLaren Park Tank to McLaren Pump Station, in the amount of \$1,773,277 to A. Ruiz Construction.

14. Discussion and possible action related to Contract No. WD-2449. (Fung)

Staff Recommendation: Award Contract No. WD-2449, Summit Reservoir Seismic Retrofit and Improvements, in the amount of \$8,046,917 to Mitchell Engineering.

Amend

15. Discussion and possible action related to Contract No. WD-2371. (Chiu/Berry)

Staff Recommendation: Approve Modification No. 2 to Contract No. WD-2371, Hetch Hetchy Water Treatment Project – Pulgas Dechlorination Facility, increasing the contract by \$2,000,000, for a total contract amount of \$18,051,826, with a time extension of 39 consecutive calendar days for a total contract duration of 601 consecutive calendar days.

PROFESSIONAL SERVICE CONTRACTS

Advertise

16. Discussion and possible action related to Agreement No. CS-746. (Carlin)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for Professional Services Agreement No. CS-746, Alameda Siphons/Irvington Tunnel Project Environmental Impact Report Services; receive proposals for said services; conduct a selection process to identify the best qualified consulting firms; and return to the Commission for approval to negotiate and execute a professional services agreement.

Award

17. Discussion and possible action related to Agreement No. CS-672 J. (Medbery)

Staff Recommendation: Approve the selection of LSA Associates and authorize the General Manager of Public Utilities to negotiate and execute Agreement No. CS-672 J, Alameda Watershed Habitat Conservation Plan Environmental Impact Report/Environmental Impact Statement (EIR/EIS). The services under this agreement shall be provided for a total budgeted amount not to exceed \$250,000 and a term of twenty-four months from the date of Controller certification.

Amend

18. Discussion and possible action related to Amendment No. 3 to Agreement No. CS-524. (Kelly)

Staff Recommendation: Approve Amendment No. 3 to Agreement No. CS-524, Program Management Contract, make minor changes to the contract language and clarify terms of the contract to conform with the auditors recommendations.

19. Discussion and possible action related to supplemental budget for the fourth year of Agreement No. CS-524. (Kelly)

Staff Recommendation: Approve a supplemental appropriation for Agreement No. CS-524, Program Management Services, in the amount of \$7 million to fund \$6 million for the Program Management Organization and \$1 million for the SFPUC staff to manage the contract; and authorize the General Manager of Public Utilities to submit this supplemental appropriation request to the Board of Supervisors with a recommendation to approve the requested appropriation to execute the work as planned.

Forward Agreement No. CS-524, Program Management Services with the Water Infrastructure Partners to provide program management support services for the SFPUC Capital Improvement Program for an amount not to exceed \$11 million, to the Board of Supervisors, with a recommendation to continue for the fourth year of the contract.

CLOSED SESSION

20. Public comments on matters to be discussed in Closed Session.
21. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

22. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Clayton)

Existing Litigation: Unlitigated Settlement for Grita E. Gustafson,
Unlitigated Claim No. 04-00180.

23. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Roddy)

Existing Litigation: San Francisco Unified School District v. The City & County of
San Francisco
San Francisco Superior Court Case No. GGC-03-425898.

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL
RECONVENE IN PUBLIC SESSION.

24. Announcement following Closed Session.

25. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT



SAN FRANCISCO Public Utilities Commission

12/1/03 Minutes SFPUC Commission, Part 1 of 2

Willie L. Brown, Jr.
MAYOR

MINUTES

SPECIAL MEETING

December 1, 2003
10:00 A.M.
City Hall, Room 416
1 Dr. Carlton B. Goodlett Place

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 10:10 A.M.
2. Roll Call: Present – President E. Dennis Normandy, Vice President Robert J. Costello, Commissioner Ann Moller Caen,

Excused – Commissioner Adam Werbach

Commissioner Ryan L. Brooks arrived at 10:30 A.M.
3. Approval of Minutes

There were no minutes to approve.

4. Communications

No action was taken.

5. Old/Ongoing Business by Commissioners

There was no discussion.

6. Introduction of New Business by Commissioners

There was no new business introduced.

7. Report of the General Manager

a) CIP Update

Mr. Harlan Kelly, Assistant General Manager for Infrastructure, stated his update would include: a) CIP monthly update, b) 1997 A&B Bond, and c) updates on critical projects.

Mr. Kelly stated the CIP had 77 projects and that recently two projects were combined and two new projects were added. He stated there were 40 Local projects: 9 were in Planning, 8 were in Design, and 2 were to be Awarded and under construction beginning 2004. He stated there was an opportunity for a groundbreaking celebration for the CIP before the end of the year. He stated there were 37 Regional projects: 21 were in Design, 7 were in Environmental, and 3 were in Planning. He stated the progress was 1.82% for Local and 0.96% for Regional, with a 1.13% overall progress to date.

Mr. Kelly utilized a graph to explain the spending plan, which ramped up slowly at the beginning and accelerated in 2007-08, when there would be a large amount of projects. He stated the whole organization was being readied for that future time. He stated that the larger Regional projects were slated for the later years and that the smaller Local projects were being moved on and expedited at this time.

Mr. Kelly stated the major activities being worked on were the Programmatic Environmental Impact Report (EIR) and the Project Specific EIRs for the projects on the critical path. He stated alternative analysis was also being done.

Mr. Kelly stated the update of the critical projects would be presented by Mr. Surinderjeet Bajwa, Acting Manager of Program Management Division. Mr. Bajwa gave a status report on the nine projects listed in A&B 1823.

1) The Bay Division Pipeline Hydraulic Capacity Upgrade had a cost change of \$2.4 million to address a major environmental impact to the view. He stated the schedule was on track, the progress for planning was 74% completed, and the overall progress was 1.3%. A draft alternative analysis report was issued in May and several evaluation sessions have been held.

2) The Irvington Tunnel/Alameda Siphon Alternatives had no cost change. He stated an alternative needed to be chosen, that they were in different ranges and could be expensive. He stated a preliminary evaluation indicated a 2-year delay in completion. He stated an analysis was underway for a different approach to recover some of the schedule. He stated 70% of planning was completed, and the overall progress was 1.2%. He stated the RFP for the EIR was being developed and would go out within days.

3) The BD Pipe Line #1 & #2 (Repair of Caisson & Pipe Bridge) had no change in cost or schedule. He stated 16% of planning was completed, and the overall progress was 0.66%. He stated the RFP to secure consultant support was being negotiated and was to be finalized in a couple of months to go out in January.

4) The Calaveras Dam had no cost change and the schedule was moved out 2 years. He stated an analysis was to be done to determine the impact. He stated the progress was 1.2%. Related, he stated a meeting was held with the State Dam Safety, which went well. He stated the RFP for a specific EIR was being developed for issuance in January.

5) The Crystal Springs/San Andreas Transmission System Upgrade had no cost change. He stated it was on schedule and 2% complete. He stated the engineering resources plan and a detailed schedule had been completed.

6) For the SVWTP New Treated Water Reservoir, a biological survey and extensive evaluation was required for a project EIR. He stated it was qualified at \$1.8 million and was 4% complete. He stated the base scope had been developed and that the work detail and the geotechnical investigation work were completed.

7) The New Crystal Springs Bypass Tunnel, a \$49.5 million project; was forecast at \$51.9 million due to combining the \$2.4 million scope of creek restoration into the project. He stated it was on schedule, that 90% of planning was completed and the overall progress was 3.13%. He stated the RFP for consultant support to help design the tunnel was underway and would be issued in a month. He stated SFPUC had its first community meeting two weeks ago and it went well.

8) The Seismic Upgrade of BDPL at Hayward Fault had no changes and was on schedule. He stated 39% of planning was completed and overall progress was 0.62%. He stated the geotechnical fieldwork had been completed and radiocarbon date testing had begun. He stated an alternative analysis review and evaluation was underway.

9) The San Joaquin Pipeline No. 4 was complete with phase I of the alternative analysis and phase II was underway. He stated planning was 13.7% complete and the overall progress was 0.67%. He stated the pipeline alignment inspection and detail work had been done and the hydraulic modeling was being developed.

Mr. Bajwa concluded his report stating one project was not listed, as it wouldn't start until 2006. He stated the Commission would be updated on it.

Mr. Bajwa presented a summary report on the two 1997 A&B bonds: A - Water System Reliability and Seismic Safety Bond, and B - Safe Water Drinking Bond. He stated the intention was to complete the work by the end of 2005 and close out all projects by

2006. Mr. Bajwa stated good progress was underway.

Mr. Bajwa stated Bond A totaled 52 projects and was to cost \$176.2 million upon completion. He stated \$111.8 million had been spent. Reviewing the progress of spending, Mr. Bajwa stated Bond A was slow in 2003, but projected to catch up in 2004. He stated 20 projects at \$47 million had been completed, 9 projects at \$24 million closed out, and 10 projects at \$74.1 million were under construction. He stated there was \$23.6 million of work in the bid/award phase, \$2.5 million in the design phase, and \$5 million in the planning phase. By percentage, he stated, Bond A was 42% in construction, 13% in bid and award, 1% in design, 3% in planning, 27% completed and 14% closed out.

Mr. Bajwa stated Bond B totaled 26 projects and was to cost \$181.9 million upon completion and \$126.3 million had been spent. He stated Bond B followed the plan and had good progress. He stated 4 projects at \$10.5 million had been completed, 9 projects at \$86.7 million closed out; 5 projects at \$73.7 million were in construction, 6 projects at \$8.7 million were at bid/award; 2 projects at \$2.3 million were in design, and 1 project at \$100,000 was in planning. By percentage, he stated Bond B was 47% closed out, 41% in construction; 5% in bid/award, 6% completed and 1% in design.

Mr. Bajwa briefed the Commission on the Priest Reservoir Bypass project. He stated the shutdown was progressing well but the project encountered a challenge when the site turned out to be different from what was anticipated. He stated the cost would increase, but the project would finish on time. He stated the O'Shaughnessy Dam Discharge Modification project was progressing well. He stated staff was working diligently on both projects. Regarding chloramination, he stated the Sunol and Harry Tracy Plants were completed and were undergoing critical testing. He stated the intent was to have the system ready by February 2.

Mr. Kelly spoke on the subject of reorganization, stating it had been identified that one high-performance organization was needed, not two separate organizations. He stated repair and replacement work and CIP projects needed to be worked on together as a team. He stated this required focus groups. He stated there would be a Construction Management Bureau, an Engineering Design Bureau and a Project Management Group without the controls. He stated controls had moved to Program Development and Support where project managers would be responsible to work with the project controls and monitor progress. He stated the other group, Infrastructure Resource Management, would be the support services related to administrative budgets. He stated instead of money going to project managers, it would go to this group and they would be responsible managing the money fairly.

Ms. Martel commented on the reorganization stating she concurred with the realignment of the agency to a more effective delivery organization. She stated separating out some bureaus was not in the best interest of the organization and that combining them within Infrastructure would assist with projects requiring engineering design. She also noted that the reorganization included contract services.

Commissioner Caen commented that the new structure would be beneficial towards the Commission's goals. Related to the CIP update, she asked how the percentages worked

with the timetable. Mr. Kelly stated the percentages listed showed that SFPUC was slightly behind schedule and that the main reason was attributed to the programmatic EIR, which was unanticipated. He stated the schedule was being evaluated to see if time could be made up. He stated progress was being made on the projects not on the critical path and not tied to AB 1823 and that possibly in a month he could provide a plan on how to catch up.

Commissioner Caen requested an update by next month. She stated it was important to keep the schedule in a timely manner. She asked what the reasoning was for doing Local first and Regional later. Mr. Kelly stated the main reason was that the Regional projects required a lot of environmental and planning work, in addition to a programmatic EIR to see how all the projects were interrelated. He stated the Local projects were independent of the programmatic EIR and didn't require a lot of planning. He stated instead of waiting, it was decided to move the Local projects up and get them done sooner and save money. He stated it would hone the skills of the designers and would help in hiring and staffing the major projects. He stated the Regional projects were the ones on the critical path whose schedule needed to be followed as they would affect the wholesale customers.

Commissioner Caen inquired about the 2-year delay on the tunnel project. Mr. Kelly stated the tunnel project was dependent on the programmatic EIR and that the programmatic EIR was a 2-year process. He stated investigation was being made into ways to shorten the 2-year delay and to do project-specific EIRs and the programmatic EIR concurrently. He hoped within a month to have a better idea of what the plan and schedule were for the project.

Commissioner Caen inquired if the programmatic EIR was anticipated. Mr. Kelly stated it was not to his knowledge. Commissioner Caen asked if it would impact many projects. Mr. Kelly stated that it would.

Ms. Martel addressed the subject of anticipating the programmatic EIR. She stated a programmatic EIR approach was initially considered, but discussions with SFPUC environmental specialists, the City Attorney's Office and staff, determined a project-specific EIR approach would be acceptable. She stated further investigation determined there would be issues that required a programmatic EIR. She stated detailed analysis resulted in deciding that a programmatic EIR was necessary to address issues.

Commissioner Caen inquired about the old Proposition A, noting that the graph showing the spending plan versus the actual spent, was off \$30 million. Mr. Kelly stated that was correct. Commissioner Caen asked why a sudden upswing in the dollars spent was anticipated. Mr. Kelly replied that the major projects were now in construction and if the contractor kept on schedule, the projects would be completed. He stated heavy payments had been made to the contractor for their construction costs. He noted design and planning was a small amount on the chart and that most of it was in construction.

Commissioner Brooks inquired how the SFPUC and staff looked at prioritization of the projects. He asked if it was tied to funding or tied to a critical project in need of work to protect SFPUC infrastructure. Mr. Kelly stated it was his responsibility to identify a

spending plan for the projects in the \$3.6 billion budget. He stated he developed a spending plan through the appropriation of adequate funds for projects. He stated prioritization of the projects was based on the original projects that had timelines. He stated there was a listing of all the projects based on the programmatic EIR and a schedule for how the projects would be moved on quickly. He stated from the schedule a cost load was done and then a spending plan was based on that. He stated the Local projects were fit in to fill in the gaps and were being moved faster while the Regional projects were being developed.

Ms. Martel stated a short answer would be that the critical projects were the driving force because AB 1823 established specific timelines for those projects. She stated the critical projects were the large Regional projects identified to have reliability and seismic risks. She stated the projects required annual progress reporting to the State Legislature and that SFPUC would be held accountable for the critical projects and moving them ahead as quickly as possible.

President Normandy inquired if there would be a separate report regarding the Water Infrastructure Partners' (WIP) role in the process, or if their work would be incorporated into the entire process. Mr. Kelly stated he had another presentation later on today's agenda regarding the WIP contract.

President Normandy stated he thought there was a process to make up the differences between the actual budget and the forecasted budget and that the money could be made up on projects and that there would be savings in other areas. Mr. Kelly stated every attempt to move projects ahead to save time and money without sacrificing quality would be done.

President Normandy requested that information in pie charts and columnar charts be combined into one format in the future. He commended Mr. Kelly on the proposed reorganization stating it was real forward movement.

b) Recycled Water Master Plan Update – Project Status

Ms. Martel stated the CIP recycled water projects for CCSF were considered to be one of the most crucial local projects. She stated staff from Planning had been revising and updating the Recycled Water Master Plan (RWMP) to facilitate the implementation of the \$100 million project. She stated substantial progress had been made and a new approach had been considered.

Ms. Cheryl Munoz, Planning Project Manager for RWMP, presented a brief update on the status of the RWMP. She stated the current RWMP updated work completed on the 1996 master plan that was put on hold for lack of funding. She stated there was now funding provided through Proposition A to move forward on the project. She stated work on the current RWMP included reevaluating the potential recycled water market, identifying facilities needed to produce and distribute and store recycled water, developing new project concepts, updating the plan for implementation, and reevaluating potential adverse environmental effects.

Ms. Munoz identified the accomplishments thus far. She stated SFPUC had been working

collaboratively with City representatives from various departments to obtain input. She noted it was a City project, not an SFPUC project; therefore it was desirable to include many departments in the planning process. She stated the RWMP was being coordinated with the Water Supply Master Plan, Ground Water Master Plan and the Clean Water Master Plan. She stated there was also regional coordination with the Bay Area Regional Recycling Program on issues such as funding, water trading, pollutant trading, technology transfer and public participation.

Ms. Munoz stated work had been completed on three major tasks: 1) background and objectives, 2) market assessment, and 3) the existing facilities assessment.

In regard to background, she stated improvements to the supply and reliability and protection of the environment were desired. She stated diversification of the water portfolio to include recycled water would enable this. Related to objectives, she stated they were needed to guide recycled water program development. She stated draft objectives included promoting public support, promoting environmental justice in San Francisco, ensuring safe use of recycled water, maximizing recycled water use, being financially viable, and implementing the project within a reasonable time.

Regarding market assessment, Ms. Munoz stated potential recycled water uses in San Francisco had been identified and divided into irrigation and nonirrigation uses. Irrigation uses were for golf courses, parks, the zoo, schools, and medians. Nonirrigation uses included dual plumbing for offices and residences, vehicle wash down, cooling and power plants, treatment plants, pump stations, storm water treatment, wetland enhancement, lake recharge, fire fighting, sewer transport, box flushing and wetlands development. She stated the assessment was done to identify how much recycled water could be used and where. She stated there was a potential of 13.5 MGD usage, mostly for municipal landscape irrigation.

In regard to the existing facilities, Ms. Munoz stated a draft assessment had been completed to determine if there were facilities not being used, such as pipelines and pump stations, to minimize recycled water costs and construction disruption. She stated potential treatment facilities; storage facilities and conveyance facilities had been identified.

Ms. Munoz stated the next steps were to begin developing project concepts for the Westside and the Eastside of the City. For the Westside, the concepts included: focusing on major existing uses, maximizing use of existing facilities, minimizing cost and time of implementation, and ensuring compatibility with the Eastside water recycling. For the Eastside, the concepts included: focusing on major existing and future uses, maximizing use of existing facilities, addressing the salinity issue due to Bay water intrusion, and ensuring compatibility with the CWMP.

Ms. Munoz stated the public participation process was a critical component of the project. She stated efforts would focus on informing and obtaining input from internal and external stakeholders, as well as the public, on the goals, the benefits and the impacts of implementing a recycled water project in San Francisco. She stated some of the media used or planned were individual meetings, presentations, and the website. She stated other materials used or to be developed, in collaboration with the

Communication group, were PowerPoint presentations and summary brochure/fact sheets.

Ms. Munoz stated that the development of several project elements would commence in a staggered approach beginning in February. She stated the activities included: engineering and preliminary environmental evaluations, development of implementation strategies, development of a Master Plan Report, implementation of an environmental review process, continuation of public participation activities, and continuation of meetings with stakeholders and community groups to receive feedback.

Commissioner Caen asked if the 1996 master plan had been completed. Ms. Munoz stated it was fully completed, but was not adopted by the Commission at that time. She stated the previous materials were used and had been added to because of changes since 1996. She stated one major area of change was cost. She stated the reason for the existing facilities assessment was to look at ways of reducing the cost. She stated the previous master plan focused on a centralized approach with tertiary-treated water from the Oceanside and Southeast facilities. She stated in addition to that, potential decentralized facilities were being considered to cut down costs and help reduce the Eastside salinity problem.

President Normandy stated the presentation failed to make a clear statement that SFPUC was looking at recycled water to supplement its current water supply, which he stated needed to be the overriding objective. *President Normandy made two requests: 1) identify the sources of water for the 20% shortfall of water supplies and look at projected usages of recycled water; and 2) include a true public participation process. He also requested assurance from staff that reports and communications received from the public in the past and present be factored into the RWMP.* He stated the plan was good, comprehensive and demonstrated forward movement, but suggested sticking to the basics.

Ms. Munoz assured the Commission that the public participation element for the RWMP was very important and that the work thus far was a draft. She stated alternatives had not been developed. She stated there had been meetings with several community groups and that she responded and held meetings with groups that had contacted her, noting that some community groups had assisted in developing today's PowerPoint presentation.

President Normandy commended the efforts made. *He requested that a future report address how the sources of recycled water would offset water used currently.*

Commissioner Brooks inquired how much of the recycled water being used now would supplement SFPUC's water losses. He asked how much recycled water would be needed if there was a 15-20% gap. Mr. Michael Carlin, Director of Strategic & Systems Planning, stated the projected 13.5 MG of recycled water would be substituted for the water that was imported from local SFPUC watersheds or the Hetch Hetchy system. He stated it would be a complete substitution and supplement the existing SFPUC water supply. He commented that a report on how recycled water would balance out the SFPUC portfolio and project out over time, could be presented at a later date.

Ms. Martel commented on public involvement, emphasizing that she directed staff to be willing to have the public participate and be involved. She stated her intention was to move away from generating public support and providing public education, but to promote public involvement. She stated, henceforth, all SFPUC processes would be public involvement processes, whereby the public's input would have an impact on the direction that SFPUC moved and responded to issues before finalizing plans. She stated this was being done to create transparent processes and for the public to have greater understanding of SFPUC efforts and generate through education.

President Normandy stated Ms. Martel's statements reaffirmed the commitment the Commission asked for from staff in the process.

c) EPA/AWWA Partnership for Safe Water 5-Year Award

Mr. Andrew DeGraca, Water Quality Bureau Manager, presented an award given to the Sunol Valley Water Treatment Plant (SVWTP) from the United States Environmental Protection Agency (USEPA) and the American Water Works Association (AWWA) for safe water. He stated utilities were encouraged to reduce the risk of microbial contaminants in water supplies, in particular, cryptosporidium. He stated the partnership involved a 4-phase process and that SFPUC joined in January 1996. He stated in June 1998 SVWTP received the director's award and today's award was a 5-year award for SVWTP, achieved by only 16 utilities across the country. He stated the award signified SFPUC's commitment to go above and beyond regulatory compliance and deliver SFPUC customers with quality water. He acknowledged two SFPUC staff members, Enio Sebastiani and Robert Clark, for their involvement in the process.

Ms. Cheryl Davis, Acting Assistant General Manager of Operations, addressed the context of the award. She recalled that in March 1995, SFPUC received a water treatment violation at SVWTP. She stated it was not just a partnership with USEPA and AWWA that brought the award, but two other partnerings as well. She stated the first was a partnering between staff and the Commission, with staff assessing what needed to change and the Commission approving budgets to increase staffing, training, and investments to SVWTP. She stated the facility had been greatly improved and that staff from the Department of Health Services was impressed with the upgrading on a recent tour. She stated the other important partnering was the intense effort to improve the working relationship between the staff of WST and WQB. She stated staff was not present at today's meeting due to maintenance of the operation. She stated a ceremony was being planned for January at SVWTP to acknowledge the award and staff's efforts.

President Normandy thanked Ms. Davis for the perspective; stating he remembered the years of which she spoke, and stated the award was testament to staff's stewardship of the system and how the reorganization brought the WQB to where it was today.

d) Bay Area Water Stewards Report

Ms. Martel stated she invited Ms. Jenna Olsen, from the Tuolumne River Trust, to make a presentation. Providing background, she stated, during her CIP outreach she became aware that SFPUC had become alienated from the environmental community. She stated SFPUC had been a good environmental steward, but that there had not always

been the transparency needed to legitimize public involvement and input. She stated when the CIP was approved; she approached staff about the need to partner with the environmental community. She stated the environmental community, representing a variety of interests and expertise, agreed to meet with staff on a regular basis. She stated Ms. Olsen would speak about the Bay Area Water Stewards (BAWS), a coalition of 17 environmental organizations that have come together and agreed to meet with SFPUC staff to receive information on SFPUC systems and to give public input.

Ms. Olsen thanked the Commission for putting her report on the agenda. She stated BAWS gave themselves their name because their focus was on the stewardship of the Bay Area water resources. She stated BAWS was comprised of national, state, regional, and local organizations representing a wide range of interests, and included: Alameda Creek Alliance, Alameda Creek Fisheries Restoration Workgroup, Alliance for a Clean Waterfront, Clean Water Action; Environmental Defense, Environmental Water Caucus, Friends of Lake Merced, Golden Gate Audubon, League of Women Voters - San Francisco, Natural Heritage Institute, Sierra Club, Loma Prieta Chapter, Sierra Club - San Francisco Bay Chapter, Restore Hetch Hetchy, SF League of Conservation Voters, SF Tomorrow, and Tuolumne River Trust.

Ms. Olsen stated the groups came together because of the CIP and determined issues and interests they had in common. She stated BAWS was interested in making sure that the CIP implemented and supported the following: 1) protect and restore ecosystems of the Tuolumne and other watersheds under influence of SFPUC, 2) a study of restoring Hetch Hetchy Valley, 3) restore Lake Merced ecosystem, 4) protect and restore Alameda Creek, 5) aggressive conservation, recycling, and efficiency projects and programs, 6) limit sprawl, 7) recreational flows on the Tuolumne River, 8) sustainable energy in San Francisco and surrounding communities, 9) environmental justice, 10) coordinate with the SFPUC Clean Water Program to improve the sewage system, and 11) consider regional, state, and national water policy implications in decision-making.

Ms. Olsen stated three major concerns arose for BAWS during the 6-month meeting period with SFPUC. 1) The transparency of the CIP process and the importance of including the public in the process due to the investment regarding the natural resources that were providing drinking water for the greater Bay Area. 2) The timeframe and pace of the process, which she noted was quite fast and might not allow the public time to be informed on the critical decisions and alternatives. She stated with the resources available, the opportunity for San Francisco to be a leader in water conservation, efficiency, sustainability and stewardship was tremendous, but stated this was in question with how the CIP was currently planned. 3) Proper environmental review prior to beginning engineering of project components. She stated BAWS was concerned because some of the engineering studies underway to develop alternatives were not bringing in environmental concerns early enough and that some work would need to be done again after environmental review processes were underway and issues came up. She stated BAWS' goal in raising the concerns was to make sure the process moved quickly and included public involvement.

Ms. Olsen stated BAWS supported the programmatic EIR process and hoped it would be a focal point for public involvement. She noted the RFP for the related consulting job contained a succinct summary of the CIP goals. She stated she had copies of a letter sent to the Commission the week prior with an attachment of the changes BAWS

suggested, which included adding "Overall Objectives" to address integration of environmental benefits, stewardship and justice in the CIP.

She stated suggestions were also given for "Regional Objectives" to integrate both supply and demand side management, as the CIP was heavy on the supply side. She stated BAWs supported finding solutions for urban water conservation on the demand side. She stated it was also suggested to focus on infrastructure maintenance and that those projects move forward without delay.

She stated BAWs made suggestions for revisions on "Local Objectives" to include goals for water supply reliability through innovative measures and that SFPUC become a statewide leader in water conservation and efficiency.

Ms. Olsen stated BAWs suggested adding "Stewardship Objectives" to include protecting and restoring the Tuolumne River and its watershed and to protect and restore local lakes, creeks, rivers and watersheds under the SFPUC, including Alameda Creek, as their health should be improved and a goal of the CIP.

Ms. Olsen stated that to date, progress had been made in several areas. She stated BAWs agreed to meet on a monthly basis with SFPUC. She stated they had received information on the overall CIP; a tutorial of the water system; overviews of critical CIP projects of concern to BAWs, such as the Calaveras Dam, Irvington Tunnel and San Joaquin Pipeline #4; and an overview of the Water Demand Projection Model in progress for wholesale customers. She stated BAWs was looking forward to their partnership with the SFPUC and giving regular updates.

President Normandy thanked Ms. Olsen for the presentation and for forging a partnership with SFPUC staff. He stated the Commission agreed with the general principles of stewardship, shared their concerns, and agreed with most, but not all of the objectives. He stated the Commission was responsible for making decisions based on several things: first, the recommendations made by BAWs would be addressed as to what was appropriate to the scope of the CIP versus the overall operation and philosophy of the entire agency; and second, over-analysis causes paralysis and the SFPUC could not afford this.

Ms. Martel thanked Ms. Olsen. She stated there was a lot of value in the partnership and made it clear that the stakeholders had been invited in to participate in a constructive way, but that decisions rested with the Commission. She stated for the SFPUC to become a statewide leader in water resources management would require a lot of work to make the SFPUC a better environmental steward and in negotiating solutions to issues for the Commission to approve.

President Normandy inquired if the investigation regarding a resolution brought up at the last meeting had been acted on and if there would be a report. Ms. Martel stated she would have something by December 15.

President Normandy requested the Commission Secretary to resume listing the Commissioners' names on the cover pages of meeting packets.

8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report

a) BAWSCA Water Conservation Activities

Mr. Jensen commented on the prior presentations. He stated he appreciated the CIP update, the progress reported and the questions raised. He stated BAWSCA wanted the program to succeed, but would maintain a critical eye on the development. On the recycled water presentation, he concurred with maintaining focus on finding a good alternative water supply. On the BAWSCA presentation, he appreciated Ms. Olsen's distinction between San Francisco's jurisdiction and other agencies' jurisdictions. He stated BAWSCA had met with BAWSC and looked forward to continued work with them.

Mr. Jensen presented an overview of what BAWSCA was doing regarding water conservation this year. He stated the organization and member agencies had a long history of supporting water conservation. He stated they had been tracking their efforts with tables indicating what was done and what was not done, but his report would cover current efforts.

Mr. Jensen stated Bay Area Water Utilities Association (BAWUA) was a participant in the original formation of the Best Management Practices for Urban Conservation (BMPs) and were an original signatory to the MOU for the BMPs. He stated currently, they provided support to their agencies to implement better conservation programs in their own service areas.

Mr. Jensen stated that BAWSCA's enabling legislation sited the need for their organizations to establish a multicounty agency authorized to encourage water conservation on a regional basis. He stated the BAWSCA Board adopted strategic and operational challenges to provide direction in September. He stated the challenge related to water conservation was implementation of cost-effective programs and wastewater recycling programs.

He stated the Board also adopted three policy statements in September. The first would implement the legislated purpose through its existing water conservation plan in FY 2003-04. He stated in forming the new BAWSCA organization, they decided to continue with the conservation program rather than revamp it. The second policy would establish BAWSCA as a regional leader in water management to pursue regional and local cost-effective water conservation and other water supply and demand management alternatives. He stated they would be competing with SFPUC to be leaders in water conservation. The third policy was BAWSCA would foster a united, cooperative approach to regional water conservation with and on behalf of its members.

He stated even though the policies were adopted did not mean there was unanimity as to what BAWSCA should do. He stated during the 2004-05 budget process, the Board and staff would determine what would be done next year.

Mr. Jensen presented a graph depicting SFPUC water purchases from 1974-2002. He highlighted the droughts in the early 70's and the last one in 1987-1992. He noted the 31% reduction during the last drought. He noted the graph showed that BAWSCA purchases never returned to what they once were due to the recent recession and

movement of Silicon Valley industry out of the South Bay into foreign countries. He stated the reduction in demand reflected reduction in water use by the customers. He also noted that since 1986, there had been an 18% increase in population, but that water purchases from SFPUC were below what they had been in 1986. He remarked it was significant and indicated that the growth in the South Bay was not ravaging SFPUC's water system, but that more could be done. He stated large barren hills were not being developed and much of the land use was specified for open space. He stated the large tract developments were mostly outside the service area. He stated the population growth had been 2% historically, and was projected to be under 1% into the future.

Mr. Jensen presented a second graph on the per capita water use in the Bay Area. He stated it gave a sense of how BAWUA measured up to other Bay Area agencies and other parts of the State. He noted that BAWUA was amongst the lowest in comparison to other Bay Area agencies. He stated the significance of the graph showed that gross per capita consumption of BAWUA residential users was not outlandish. He stated it was not the best they could do and that they had developed some programs.

Mr. Jensen stated BAWSCA currently offered four programs to its members: a school education program, a poster contest, a washing machine rebate program, and a large landscape audit program. He stated each program was voluntary. He stated if the agencies participated, they paid the costs. He stated agencies that didn't participate because they had their own programs or were doing them through another agency did not pay costs for the programs. Mr. Jensen listed the cities that had participated in the four programs and noted that participation changed from time to time.

With respect to the school education program, Mr. Jensen stated the Mid-Peninsula Water District in Belmont had developed a conservation curriculum program that involved painting, poetry, stage, music, and other activities on the theme of water conservation. He stated the Water Education Foundation's curriculum was also utilized. He stated 6-8 agencies participated in the program

Mr. Jensen stated the poster contest had been done for years and reinforced the vocabulary and mindset for water conservation and water issues effectively.

Mr. Jensen stated the washing machine rebate program had begun in Fall 2001. He stated fifteen agencies had participated and over \$315,000 in rebates had been distributed by the agencies. He stated the agencies handled all the paperwork for the rebate program.

Mr. Jensen stated the large landscape audit program was new and had three participating agencies. He stated the program gave an estimate on the water bill, based on a field survey, of how much water a business should be using and how much money could be saved. He gave the example of Redwood City achieving a significant 20% reduction. He stated increased participation was expected.

Mr. Jensen stated participation in the programs included large and small agencies, and cities and water districts in the East Bay, South Bay and Peninsula. He stated the conservation programs were designed to meet the participants' needs and that the

staffs of the agencies were involved in program planning. He stated assessments were made about the programs to overcome implementation obstacles. He stated they had decreased administrative expenses, in some cases by 50% on some programs, for greater cost-effectiveness.

Mr. Jensen stated BAWSCA was coordinating its programs with SFPUC, Santa Clara Valley Water District (SCVWD) and regionally to not duplicate efforts and to maintain benefits where the money originated. In working with SFPUC, he stated some work in progress had been completed which included the development of demand projections for the regional system using uniform methodology, creation of individually tailored water projection and alternatives assessment tool for each wholesale agency, and a comprehensive evaluation of potential water conservations activities. He stated the first results were being examined in relation to the model to be followed by an evaluation of conservation alternatives. He shared that BAWSCA had met with BAWSC and SFPUC staff to go over the model. He stated BAWSCA provided a list of the conservation activities under consideration. He stated this would not be the only time BAWSCA did a water conservation analysis, stating the process should result in saving water and expenses.

Mr. Jensen concluded his report with upcoming plans. He stated in January 2004, BAWSCA would conduct a water conservation assessment to evaluate the cost-effectiveness of regional conservation opportunities. He stated this would be done to identify activities that provide value and to budget for the next fiscal year. He stated for the washing machine rebate program they had applied for grants to increase rebates offered to customers. He stated during the winter and spring the BAWSCA conservation program would be developed for next year and presented to the BAWSCA Board for their input.

President Normandy thanked Mr. Jensen for the presentation and stated SFPUC looked forward to working on the projects with BAWSCA.

9. Public Comments on matters not on today's agenda.

Ms. Anita Labossieri, SFPUC employee, provided a statement to the Commission regarding racism in the Water Supply & Treatment Department and asked for a review. She stated she also wrote an article on the subject. She stated SFPUC managers had kept her away from work. She asked that an immediate investigation be conducted on racism in the department and her case. She stated the first occurrence was in 1980 at the Oceanside Treatment Plant.

President Normandy stated the Commission was in receipt of the two documents. He stated the Commission would direct staff through the General Manager to conduct an investigation on the matter and report back to the Commission. He stated the Commission was prevented from participating in personnel matters, but set policy, and depending on the report received, the policy might be changed or modified to prevent further occurrences. He stated the allegations were serious and the Commission would not tolerate them. He stated the Commission was ready to take action on the General Manager's recommendation. He thanked Ms. Labossieri for bringing the matter to the Commission's attention.

Mr. Roland Sheppard, retired business agent for Painters Local Union 4, stated Ms. Labossieri requested his assistance for his experience dealing with City concerns. He related that management and the SFPD did a minimal investigation regarding incidents of nooses hung in the plant and put in employee's desks. He suggested that mandatory sensitivity training be required for managers to help with resolving such issues. He opined nooses and racism should not be tolerated, but the minimal investigation seemed to indicate they were tolerated and led to intimidation of black workers. He requested, as a citizen, that a hearing on the matter be conducted, as he considered it a serious matter.

President Normandy stated his remarks to Ms. Labossiere stood in the same manner for Mr. Sheppard.

The remainder of the 12/1/03 Minutes are located in Part 2 of 2.

Location:

http://sfwater.org/detail.cfm/MC_ID/5/MSC_ID/19/MTO_ID/57/C_ID/1755

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SAN FRANCISCO Public Utilities Commission

12/1/03 Minutes SFPUC Commission - Part 2 of 2

The beginning of the Minutes can be found in Part 1 of 2.

REGULAR CALENDAR

10. Discussion and possible action related to a loan agreement with the Blue & Gold Fleet.

Mr. Ed Smeloff, Assistant General Manager of Power Policy, Planning & Resource Development, stated the item was for a loan agreement with the Blue & Gold Ferry (BGF) at Pier 41. He stated the program was part of the Mayor's Energy Conservation Account and would first SFPUC project with port tenants. He stated port tenants were municipal customers, as a result of a settlement agreement with PG&E. He stated the program would offer BGF a reduction in their electric bill and to save energy. He stated an energy-efficiency audit of their corporate offices at Pier 41 was done and the recommendation was for a 15-year loan agreement for heating, ventilation and air conditioning systems improvements. He stated the benefits would offer compliance with SFPUC's Electricity Resource Plan for reduction in peak demand, establishment of a positive customer relationship with BGF, and a model for other port tenants for energy-efficiency improvements.

Vice President Costello opined that the Port should assume some responsibility for expenditures on money for which they receive income and asked if the Port had any obligation. Mr. Smeloff stated it would be an improvement to Port property. He stated BGF had a lease agreement with the Port to pay for the property. He stated the Port did not have an obligation to upgrade the air-conditioning system at this time. He stated SFPUC was providing the funds for the improvements to port property, and if BGF were to leave, the benefits would accrue to the City.

Vice President Costello stated he was not against the idea, but thought there could be a problem, if there were many occurrences of a similar situation. Mr. Smeloff stated the loan would be recovered and the money would come back to HHWP with interest. He clarified it was not a grant or a gift, but a loan.

Commissioner Brooks stated this type of program was great for CCSF and asked if the program was widely advertised to all port tenants. Mr. Smeloff stated it was the result of the Department of the Environment's "Power Savers Program" for lighting retrofits. He stated in the process of providing the program to Port tenants, BGF came forward with interest in a heat/air-conditioning retrofit. He stated he had instructed the energy-efficiency staff to develop a comprehensive long-term plan at the Port to look at retrofits of multiple Port properties. He stated BGF came to SFPUC's attention through the Power Savers Program. He stated the project made him realize there were

opportunities at the Port.

President Normandy urged a comprehensive program be developed for the future. To Ms. Martel, he directed comment that an organization process be established to allow Mr. Smeloff more latitude and resources to develop similar projects.

Moved by Commissioner Caen, seconded by Commissioner Brooks, to adopt the following resolution; passed (4-0) unanimously

Resolution No. 03-0232: Authorize a loan agreement in the amount of \$100,000 with the Blue and Gold Fleet (BGF) to install an energy efficient heating, ventilation and cooling (HVAC) system at BGF's corporate offices located at Pier 41.

LEASES AND PERMITS

11. Discussion and possible action related to a Revocable Permit to the City of Riverbank.

Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the following resolution; passed (4-0) unanimously

Resolution No. 02-0233: Authorize the General Manager of Public Utilities to execute a Revocable Permit to the City of Riverbank for a portion of Public Utilities Commission pipeline right of way property to construct and install public improvements consisting of a sanitary/storm sewer, waterline and a street with curbs, gutters and sidewalk.

CONSTRUCTION CONTRACTS

Award

12. Discussion and possible action related to Contract No. WD-2378.

Mr. Howard Fung, Project Manager, stated the item was the first of two Proposition A 2002 CIP projects for Commission approval. He stated the construction would supply the Potrero Heights zone with water from the McLaren Tank system.

Moved by Commissioner Caen, seconded by Commissioner Brooks, to adopt the following resolution; passed (3-1). Vice President Costello voted no.

President Normandy asked Vice President Costello if he wanted to comment on his vote. Vice President Costello stated there was a history of a few San Francisco contractors that gave plumbers/pipefitter's work to laborers. He stated that he hoped that specifications could be put in the bid process to address the issue.

President Normandy requested the General Manager look further into Vice President Costello's comments and return to the Commission on how they might be addressed.

Ms. Martel responded that the issue had been worked on. She stated Vice President Costello had provided staff with information and that they had been working with the

City Attorney's Office to define the issue into some policy. She stated a report would be provided.

Vice President Costello stated staff had been helpful and he appreciated their efforts. He commented that the offense had come forth in the last 6-7 months.

Resolution No. 03-0234: Award Contract No. WD-2378, Potrero Heights Supply Line, in the amount of \$2,555,487 to A. Ruiz Construction.

13. Discussion and possible action related to Contract No. WD-2407.

Mr. Fung stated this was the second Proposition A 2002 CIP project in conjunction with the previous contract to supply water from Potrero Heights zone to the McLaren Park Tank system.

President Normandy stated he understood the project was key for the chloramine conversion. He conferred with Ms. Vicki Clayton, Legal Counsel, on the item.

Commissioner Caen was excused at 12:12 P.M.

President Normandy noted Item 13 in the packet showed an amount of \$1.773 million and the resolution stated an amount of \$1.921 million. Mr. Fung stated the correct amount was \$1.773 million.

President Normandy stated the amounts needed to match and for that reason the he would remove the item from discussion. Ms. Clayton stated if \$1.733 million was correct, the resolution could be amended to conform.

President Normandy asked which amount was correct. Mr. Fung stated the correct amount was \$1.733 million.

President Normandy stated the text of the resolution could be amended downward. Mr. Fung pointed out there was a "Resolve" which clarified the amounts.

President Normandy asked Ms. Clayton if the Resolve met her satisfaction. Ms. Clayton affirmed it did.

Vice President Costello questioned if Ruiz ended up the second bidder. Mr. Fung stated the low bidder was Darcy Hardy Construction

Moved by Commissioner Brooks, seconded by Vice President Costello, to adopt the following resolution; passed (3-0) unanimously

Resolution No. 03-0235: Award Contract No. WD-2407, McLaren Park Tank Outlet Modification and 24-Inch Ductile Iron Pipe from McLaren Park Tank to McLaren Pump Station, in the amount of \$1,773,277 to A. Ruiz Construction.

14. Discussion and possible action related to Contract No. WD-2449.

Mr. Fung stated item 14 was also a Proposition A 2002 project for approval. He stated the project would provide seismic retrofitting for the Summit Reservoir.

President Normandy called for a motion. Commissioner Brooks moved the item. Vice President Costello stated he would not second the item for the same reason he voted no on Item 12.

President Normandy seconded the motion for purposes of discussion and requested Vice President Costello go on record for refusal to second the item. President Normandy called for the question, for discussion and if there were any nay votes. Vice President Costello stated he was a nay vote and asked if the item could be continued to the next meeting.

President Normandy asked if Commissioner Brooks had any objections. Commissioner Brooks had no objection. President Normandy stated there was a revised motion on the table to continue Item 14 and asked for staff input.

Mr. Kelly stated the agency was attempting to move projects quickly to demonstrate forward movement on the CIP. He stated the item was ready for award and urged the Commission to approve it unless there was some issue to address regarding the award. He urged the Commission to evaluate the perception of the process of the CIP and expressed the importance of moving forward.

President Normandy asked when the next meeting would be. Ms. Martel stated December 15.

President Normandy asked what the impact would be of continuing Item 14 to December 15. Mr. Kelly stated it was desired to get the two projects moving by the end of the year.

President Normandy asked if the difference of two weeks was critical. Mr. Kelly stated it would take the projects into January.

President Normandy asked if there would be action in the next two weeks at a sufficient level on the item if the Commission approved it today. Mr. Kelly stated groundbreaking activities were underway presently.

President Normandy asked Vice President Costello, bearing the relevant concerns brought forth, if he would object if Commissioner Brooks and he went ahead with the item. Vice President Costello stated he had no qualm.

President Normandy stated he would recognize Commissioner Brook's motion placed as second to make sure that it was in discussion and take the vote. Vice President Costello stated he would vote on the item. President Normandy asked if there were any nays. There were none and the item passed unanimously.

Moved by Commissioner Brooks, seconded by President Normandy, to adopt the following resolution; passed (3-0) unanimously.

Resolution No. 03-0236: Award Contract No. WD-2449, Summit Reservoir Seismic Retrofit and Improvements, in the amount of \$8,046,917 to Mitchell Engineering.

Amend

15. Discussion and possible action related to Contract No. WD-2371.

Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the following resolution; passed (3-0) unanimously.

Resolution No. 03-0237: Approve Modification No. 2 to Contract No. WD-2371, Hetch Hetchy Water Treatment Project – Pulgas Dechloramination Facility, increasing the contract by \$2,000,000, for a total contract amount of \$18,051,826, with a time extension of 39 consecutive calendar days for a total contract duration of 601 consecutive calendar days.

PROFESSIONAL SERVICE CONTRACTS

Advertise

16. Discussion and possible action related to Agreement No. CS-746.

Moved by Commissioner Brooks, seconded by Vice President Costello, to adopt the following resolution; passed (3-0) unanimously

Resolution No. 03-0238: Authorize the General Manager of Public Utilities to advertise and request proposals for Professional Services Agreement No. CS-746, Alameda Siphons/Irvington Tunnel Project Environmental Impact Report Services; receive proposals for said services; conduct a selection process to identify the best qualified consulting firms; and return to the Commission for approval to negotiate and execute a professional services agreement.

Award

17. Discussion and possible action related to Agreement No. CS-672 J.

Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the following resolution; passed (3-0) unanimously

Resolution No. 03-0239: Approve the selection of LSA Associates and authorize the General Manager of Public Utilities to negotiate and execute Agreement No. CS-672 J, Alameda Watershed Habitat Conservation Plan Environmental Impact Report/Environmental Impact Statement (EIR/EIS). The services under this agreement shall be provided for a total budgeted amount not to exceed \$250,000 and a term of twenty-four months from the date of Controller certification.

Amend

President Normandy pulled Item 18 from the calendar. The item was continued to the

call of the General Manager.

18. Discussion and possible action related to Amendment No. 3 to Agreement No. CS-524.

Staff Recommendation: Approve Amendment No. 3 to Agreement No. CS-524, Program Management Contract, make minor changes to the contract language and clarify terms of the contract to conform with the auditors recommendations.

19. Discussion and possible action related to supplemental budget for the fourth year of Agreement No. CS-524.

Mr. Kelly gave a brief history of the WIP contract stating, in September 2000, the San Francisco Water Alliance began with Bechtel and in April 2002 it transitioned from Bechtel to WIP. He stated he became the SFPUC Assistant General Manager of Infrastructure in April 2003. He stated December 2003 was the end of Year 3 and the beginning of Year 4.

Mr. Kelly stated the five goals for Contract Year 3 of the Program Management Organization (PMO) were: 1) planning, 2) defining project scope as to team/cost/alternatives, 3) program controls development, 4) procedures development, and 5) organization development.

Mr. Kelly noted improvements made in two areas since the approval of the original Year 3 budget. 1) SFPUC added resources to ensure appropriate use of the WIP contract and to adhere to the terms of the contract. He stated the improvement was a result of the Controller's Audit and added staff to expedite invoices, assess and closeout task orders, and to evaluate the merit of task orders performed by WIP. 2) SFPUC adjusted task order budgets to meet needs of the CIP and increase use of City staff.

Mr. Kelly addressed areas in the Year 3 budget that were adjusted. He stated one area was to increase staff to make ready for growth and reorganization. He stated another area was contract oversight and administration to have more resources to handle invoices and task orders. He stated an adjustment for diversity program support was made from 6 months to 12 due to the success of the program. He stated another important area that was adjusted was engineering practices.

President Normandy commented that all the line adjustments were in accordance with the Commission's vision for creating the PMO contract and also addressed their direction for upgrading skills and increasing participants within the program.

Mr. Kelly outlined the major accomplishments for Year 3: 1) work plans developed for ten time-critical CIP projects, 2) strategies developed for programmatic EIR process, 3) expertise furnished in seismic engineering, 4) QA/QC Program established and implemented, 5) MBE/WBE goals achieved, 6) over 50 organization development & technical training events occurred, and 7) procedures development and implementation within the organization were accelerated.

Mr. Kelly moved onto Year 4 sharing a chart of the projected staff increases. He noted that staffing would increase in 2004 to 2007, averaging about 70 new hires per year,

but that the need for consultants did not increase from 2003 to 2006. He stated overall the chart depicted that the program needs would increase and consulting needs would remain the same.

Mr. Kelly identified the PMO goals for Year 4: 1) expedite planning and alternatives analysis, 2) accelerate organization development, 3) expand program controls, 4) improve procedures development and implementation, 5) continue to train and support City staff, and 6) transition WIP activities to City staff and/or other consultants because it was the last year of the WIP contract.

Mr. Kelly next presented the original Year 3 budget, the adjusted budget versus the Year 4 budget. He noted the increase in Contract Oversight and Administration to address the need to close out tasks and transition plans submitted from WIP to the City. He stated more money was going to be spent on Staff and Organization Development to ready the program for the work in the future. He stated additional public information officers had been hired in Communications to do in-house work and that Work Plan Development would be issuing more project-specific work plans. He noted the PMO Total was still \$6 million and that money had been redistributed in the line items.

Mr. Kelly shared the Year 4 challenges: 1) increase work load ten-fold over the next several years, 2) recruit and develop City staff, 3) obtain expertise to support CIP by a) support SFPUC's organization development, b) expertise to meet environmental commitments, c) support strategic management of CIP, and 4) Program Controls System Development. He concluded by stating the SFPUC was committed to delivering a successful CIP.

Commissioner Brooks stated he appreciated the streamlining of the process. He stated there were challenges working with the bureaucratic process of City hiring and staffing and asked if SFPUC was coordinating with DHR for their assistance in achieving the hiring goals. Mr. Kelly stated an MOU with DHR was in the process of being finalized. He noted DHR was suffering financial hardship because of the City's budget and that SFPUC had dedicated some funds to hire staff that would be dedicated to SFPUC's hiring needs.

President Normandy had several points of discussion. He stated the actions Mr. Kelly had taken confirmed and validated the Commission's vision of increasing and upgrading staff to address the needs of the CIP. He appreciated that there were line item changes, but that the contract budget remained constant. He stated now that the contract was in its 4th year, there was proof of competence and effectiveness in the growth of the CIP and in its management.

President Normandy requested that CIP status reports in the coming year integrate the role of the PMO. He stated it was essential for the Commission to see their continuing role as vital within the operations of the CIP and to demonstrate the partnership with the private sector and all that they avail to the SFPUC.

President Normandy stated it was important to apprise the Commission of the process of the CIP and not neglect WIP's role. Regarding local and minority owned businesses, President Normandy asked that they not be neglected in the future and asked that they

be integrated not only in the CIP, but also in the work of WIP. He stated he knew staff was attending to the task, but asked Commissioner Brooks to look into it also.

President Normandy stated the work and help needed on the CIP would not end in Year 4. *He requested Ms. Martel and Mr. Kelly look ahead to continue the process of folding in the valuable work done by WIP.* He urged to start planning the process for the end of Year 4 and the end of the WIP contract. He urged not waiting until the end of Year 4 to prepare. He announced the motion had been made, seconded and passed unanimously.

Public Comment:

Mr. Vitus Leung, Local 21 representative, stated his comments were similar to the testimony just given and even though the item was passed, he wanted to give input.

President Normandy noted he neglected to call for public comment before the vote was taken.

Mr. Leung commented that since Mr. Kelly assumed his position in April 2003, he and his staff had done an excellent job in managing the CIP project and that Local 21 believed under his management the CIP project would be on time and within budget. He stated Local 21 and SFPUC met on a regular basis to discuss issues of mutual concern. Regarding the WIP contract, he stated it was believed that Local 21 classifications of technical engineers, planners, contract compliance officers, public information officers and training officers could have done many of the PMO tasks performed in year 3. He requested that four questions be kept in mind during deliberations on the WIP extension: 1) What were Year 3 deliverables and accomplishments? 2) What would be the deliverables and accomplishments for Year 4? 3) What plan did SFPUC have with regard to identifying training opportunities for City employees who did not currently possess the skills to ensure a smooth transition, during the critical 4th period of WIP contract? 4) What about a transition plan and additional promotional opportunities for in-house staff? Responding to Commissioner Brooks comment about working with DHR, he stated SFPUC did not have an MOU with DHR. He stated SFPUC listed organizational support and development as a continuing consultant need beyond Year 4. He asked what that meant, as SFPUC already had a consultant through the Assistant General Manager of Finance looking into an SFPUC performance assessment. His final comment regarded the ten-fold workload increase over the next several years and SFPUC's need for a more aggressive hiring plan. He stated more work needed to be done to address hiring people faster and to anticipate the work for the 4th and 5th years and beyond.

President Normandy asked if any of the public comments raised changed the vote. Commissioners Costello and Brooks stated no, as did President Normandy. He stated Mr. Leung's comments needed to be taken into account and openly discussed in future deliberations. He requested that Mr. Leung's points be addressed and presented to the Commission in a future update.

Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the following resolution; passed (3-0) unanimously.

Resolution No. 03-0240: Approve a supplemental appropriation for Agreement No. CS-

524, Program Management Services, in the amount of \$7 million to fund \$6 million for the Program Management Organization and \$1 million for the SFPUC staff to manage the contract; and authorize the General Manager of Public Utilities to submit this supplemental appropriation request to the Board of Supervisors with a recommendation to approve the requested appropriation to execute the work as planned.

Forward Agreement No. CS-524, Program Management Services with the Water Infrastructure Partners to provide program management support services for the SFPUC Capital Improvement Program for an amount not to exceed \$11 million, to the Board of Supervisors, with a recommendation to continue for the fourth year of the contract.

CLOSED SESSION

20. Public comments on matters to be discussed in Closed Session.

There were none.

21. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Commissioner Brooks, seconded by Vice President, to assert the attorney-client privilege; passed (3-0) unanimously.

The Public Utilities Commission met in Closed Session at 1:58 P.M. to discuss the following matters:

22. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, and Deputy City Attorney John Roddy.

Existing Litigation: Unlitigated Settlement for Grita E. Gustafson, Unlitigated Claim No. 04-00180.

Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the following resolution; passed (3-0) unanimously.

Resolution No. 03-0241

23. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Roddy)

Present were President Normandy, Vice President Costello, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, Deputy City Attorney John Roddy, and Deputy City Attorney Don Margolis.

Existing Litigation: San Francisco Unified School District v. The City & County of San Francisco; San Francisco Superior Court Case No. GGC-03-425898.

No action was taken.

Following the Closed Session, the Commission reconvened in open session at 1:03 P.M.

24. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

25. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Costello, seconded by Commissioner Brooks, not to disclose the discussions during Closed Session; passed (3-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 1:04 P.M.

Mary Y. Jung
Secretary

Location:

http://sfwater.org/detail.cfm/MC_ID/5/MSC_ID/19/MTO_ID/57/C_ID/1756

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SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

DOCUMENTS DEPT.

AGENDA

DEC 12 2003

SPECIAL MEETING

SAN FRANCISCO
PUBLIC LIBRARY

December 15, 2003
10:00 A.M.

City Hall, Room 416
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Approval of Minutes
4. Communications
5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
7. Report of the General Manager
 - a) Water Banking / Dry Year Water Update (Carlin)
8. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

CONSENT CALENDAR

9. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.
- a) Staff Recommendation: Approve the rejection of all bids for Contract No. WD-2349, Thomas Shaft Water Supply Improvement, and authorize the General Manager of Public Utilities to re-advertise the contract as Contract No. WD-2349R, Thomas Shaft Water Supply Improvement; to receive and evaluate bids. The engineer's estimate is \$1,130,529.
 - b) Staff Recommendation: Award Contract No. WD-2377, Mason, Chestnut and Valparaiso Streets 8-Inch Ductile Iron Main Installation, in the amount of \$524,215 to J. Flores Construction.
 - c) Staff Recommendation: Accept work performed for Contract No. WD-2376, South Van Ness Avenue 8-Inch Ductile Iron Main Installation, approve Modification No. 1 (Final) decreasing the contract by \$184,438.52, for a final contract amount of \$1,272,756.48, and authorize final payment of \$103,840.30 to Ranger Pipelines, Inc.

REGULAR BUSINESS

10. Discussion and possible action related to contract action approval practices. (Kelly)
- Staff Recommendation: Approve and authorize the General Manager of Public Utilities to implement an SFPUC staff proposal to modify current Commission contract action approval practices by using a combination of a General Manager's Report, the consent calendar, and the regular calendar to approve contract actions.

11. Discussion and possible action related to a supplemental appropriation to fund the Program Environmental Impact Report. (Kelly)

Staff Recommendation: Approve the supplemental appropriation to reallocate \$4,677,000 from existing projects to fund the approved Program Environmental Impact Report (PEIR), and the required staff in SFPUC and City Planning to work on the PEIR and program planning efforts.

12. Discussion and possible action related to a supplemental appropriation to increase the Infrastructure Department's operating budget. (Kelly)

Staff Recommendation: Approve the supplemental appropriation to increase the operating budget for the Infrastructure Department by \$3,642,301 to lease office space at 1145 Market St., issue work orders to other City departments for continued implementation of the Capital Improvement Program, and to fund two new management positions under the proposed reorganization for the Infrastructure Department.

13. Discussion and possible action related to a supplemental appropriation for the SFPUC/East Bay Municipal Utilities Intertie Project. (Carlin)

Staff Recommendation: Approve the supplemental appropriation of \$8,400,000 from the 2002 Proposition A Bond Fund for the SFPUC/East Bay Municipal Utilities District Intertie Project.

14. Discussion and possible action related to a supplemental appropriation for four LM 6000 Gas Turbine Generator sets. (Smeloff)

Staff Recommendation: Approve the supplemental appropriation for second installment \$2,666,667 from escrow account for the development of a generating facility using four LM 6000 Gas Turbine Generator sets in the City. Appropriation shall be effective when funds are deposited in an escrow account by the Attorney General of the State of California (the "Attorney General pursuant to the Settlement Agreement with the Williams Companies, Inc.; and Williams Energy Marketing & Trading Company and other named parties entered as of November 11, 2002 (the "Settlement Agreement"). These shall be those funds designated as Receipt date January 1, 2004.

LEASES AND PERMITS

15. Discussion and possible action related to a lease at 1145 Market Street. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to approve a four-year lease with two five-year options for office space located at 1145 Market Street comprising approximately 30,790 sq. ft. on Floors 1, 4, 8 and 10.

CONSTRUCTION CONTRACTS

Amend

16. Discussion and possible action related to Contract No. HH-903. (Cael)

Staff Recommendation: Authorize the General Manager of Public Utilities to request that the Controller approve a surplus transfer in the amount of \$4.9 million to fund Contract No. HH – 903, Priest Reservoir Bypass - Pipeline. Funding will be transferred from Project No. CUH762 – San Joaquin Pipeline Repairs (\$2.4 million) and Project No. CUH950 – Penstock Renovations – KPH/MPH (\$2.5 million) to Project No. CUH703, Priest Reservoir Bypass.

Authorize the General Manager of Public Utilities to negotiate modifications and enter into the modified contract up to an amount not to exceed \$4.7 million.

PROFESSIONAL SERVICE CONTRACTS

Advertise

17. Discussion and possible action related to PS-101. (Kehoe)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for PS-101, Bottled Water Services, receive proposals for said professional services agreements, conduct a selection process to identify the best qualified firms to provide/assist bottled water services, and return to the Commission for award and authorization to negotiate professional services agreements.

18. Discussion and possible action related to Agreement No. 748A, No. CS-748B and No. CS-748C. (Labonte)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for Agreement No. 748A, No. CS-748B and No. CS-748C, three Clean Water Master Plan Planning and Engineering Services Agreements, receive proposals for said professional services agreements, conduct a selection process to identify the best qualified consulting firms to provide the specified professional planning and engineering services, and return to the Commission for approval to negotiate and execute the three professional services agreements.

19. Discussion and possible action related to Agreement No. 749. (Labonte)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for Agreement No. 749, Clean Water Master Plan Public Participation Services Agreement, receive proposals for said professional services agreement, conduct a selection process to identify the best qualified consulting firm to provide the specified professional public participation services, and return to the Commission for approval to negotiate and execute the professional services agreement

Award

20. Discussion and possible action related to Agreement No. CS-721. (Arena)

Staff Recommendation: Approve the selection of Daryl Owen Associates, Inc. for Agreement No. CS-721, Legislative Representation and Advocacy Services for the SFPUC, to provide legislative representation and advocacy services for the SFPUC before Congress and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement for an amount not to exceed \$275,000 annually with an option to extend the agreement for two additional years with Commission approval.

21. Discussion and possible action related to Agreement No. CS-723. (Arena)

Staff Recommendation: Approve the selection of Edelstein and Gilbert for Agreement No. CS-723, Legislative Representation and Advocacy Services for the SFPUC, to provide state legislative representation and advocacy services for the SFPUC for an amount not to exceed \$150,000 a year with an option to extend the agreement for two additional years at the Commission's discretion, and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement.

Amend

22. Discussion and possible action related to Amendment No. 1 to Agreement No. CS-672 F. (Medbery)

Staff Recommendation: Approve Amendment No. 1 to Agreement No. CS-672 F, Environmental Monitoring for Hetch Hetchy Water Treatment Project – Chloramine Conversion with ESA+Orion Joint Venture (composed of Environmental Science Associates and Orion Associates), and authorize the General Manager of Public Utilities to execute this amendment by increasing the agreement by \$55,000, for a total agreement amount of \$400,000, with no time extension.

CLOSED SESSION

23. Public comments on matters to be discussed in Closed Session.
24. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

25. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Clayton)

Existing Litigation: Unlitigated Settlement for State Farm Insurance/Insured: Mark & Clementina Hoffman; Unlitigated Claim No. 04-00385.

26. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Clayton)

Existing Litigation: SBC – Pacific Bell; Claim No. 04-00127

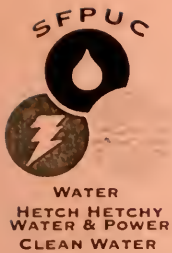
27. Closed session pursuant to Government Code Section 54957 to discuss the performance evaluation of General Manager Patricia E. Martel.

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

28. Announcement following Closed Session.

29. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

≡ MINUTES

December 15, 2003
10:00 A.M.
City Hall, Room 416
1 Dr. Carlton B. Goodlett Place

DOCUMENTS DEPT.

MAR - 5 2004

SAN FRANCISCO
PUBLIC LIBRARY

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 10:12 A.M.
2. Roll Call: Present - President E. Dennis Normandy, Vice President Robert J. Costello, Commissioner Ann Moller Caen, Commissioner Adam Werbach, Commissioner Ryan L. Brooks
3. Approval of Minutes
There were no minutes to approve.
4. Communications
5. Old/Ongoing Business by Commissioners

President Normandy stated that Ms. Patricia E. Martel, General Manager of Public Utilities, would be late to the meeting and that Mr. Harlan Kelly, Jr., Assistant General Manager of Infrastructure, would be filling in for her until her arrival.

Commissioner Caen asked about a follow up response to a letter Mr. Steve Lawrence wrote. Mr. Kelly responded that the letter was in final draft form and was expected to go out on December 15th. He stated copies would be sent to the Commission.

Commissioner Caen inquired on the status of the Moscone reimbursement schedule. President Normandy noted that Mr. Ed Smeloff, Assistant General Manager of Power Policy, Planning & Resource Development, could answer her question, but was at a meeting with Ms. Martel.

Commissioner Werbach requested the sewer rate study on rate-based practices to increase conservation be added to the Old/Ongoing Business list.

President Normandy reiterated a request to receive an update on the archival center as soon as possible and stated he also wanted to start looking at the CIP reports with the revised formats.

President Normandy commented on a response from staff regarding a closeout payment to a contractor that did not match the amount stated in the resolution. He noted that staff recognized this was not acceptable and was assured this type of situation would not occur again.

6. Introduction of New Business by Commissioners

Commissioner Werbach stated he would like to work with Commissioner Costello on the Apollo Project, a model for working with labor unions and labor investment

to build renewable energy possibilities for the City. He stated he would like to identify the appropriate staff for this project and present a report in three to four months. Commissioner Costello agreed to work with Commission Werbach on this project.

President Normandy stated the Communications package contained a letter from the Sheriff's Air Squadron, offering their services for use by the Commission at a nominal fee. *He requested that staff pursue this, as it is a valuable resource.* Commissioner Caen asked if the service could be extended from Moccasin to Hetch Hetchy. *President Normandy requested staff to include this request when staff worked with the Sheriff's Air Squadron.*

President Normandy responded to a letter from Mr. Thomas Lloyd-Butler in regard to what he felt was an unsatisfactory response from staff to his request for reconsideration of his sewage consumption bill. *President Normandy requested that the matter be referred to RUAB.*

Commissioner Brooks noted he was new on the Commission and asked if security issues have been addressed. President Normandy assured him that the Commission had been working with various agencies and experts (Lawrence Livermore Laboratory, the San Francisco Sheriff's Department, and the San Francisco Police Department) since 9/11. He stated the plans had been reviewed by the Commission and were still in development and would continue, as it is a living document subject to change as needs arise. *President Normandy reminded the Commission that this was a confidential item and requested the Commission Secretary's Office to provide Commissioners Werbach and Brooks with a copy of the security report as part of their orientation.*

Commissioner Caen requested that security be addressed again soon in Closed Session.

Commissioner Costello stated the Department of Forestry was involved in the Hetch Hetchy region and commented that he had been up there two to three times on his own and found the security provided to be good.

President Normandy requested that staff factor in new circumstances, such as the accessibility of fixed wing aircraft, when providing the security update.

Commissioner Werbach stated that he recently learned that San Francisco got their drinking water from the reservoirs and not from the Sierras. He asked how this information was shared with the public. Mr. Kelly replied that the Priest By-pass Project required the switch in water and didn't think the SFPUC articulated this change to the local customers. Commissioner Werbach suggested sharing the information with the public via the website. *Concurring that Commissioner Werbach raised an excellent point, President Normandy requested staff put the information about the water source on the website.*

President Normandy requested that a Commission meeting be set up at the Southeast Community Facility soon.

7. Report of the General Manager

a) Water Banking / Dry Year Water Update

Mr. Michael Carlin, Director of Strategic & Systems Planning, updated the Commission on the Semitropic Water Storage District, located outside Bakersfield. Mr. Carlin stated that the SFPUC was being offered Phase II of the water storage projects, which not only required the SFPUC to bear the majority of the capital costs, but was riskier because of the time it would take to build it. He noted that SFPUC was also in discussions with other water districts, such as the Santa Clara Valley Water District (SCVWD), to plan where there were common customers. He stated discussions were also underway with the Alameda County Water District (ACWD) and Zone 7.

Mr. Carlin further stated that the SFPUC was involved with Daly City, South San Francisco, and San Bruno on the Westside Basin Project. He stated the water could be drawn on in a dry year and had great potential. Mr. Carlin stated that currently this was a pilot project and he felt it should become an actual project with a term sheet.

Mr. Carlin reported that SFPUC was also approaching the Turlock and Modesto Irrigation Districts for conjunctive use potential or dry-year supply potential.

Mr. Carlin detailed discussions he had with Mr. Will Boschman, the General Manager of Semitropic, stating SFPUC could not come to terms because of costs and other environmental considerations. He stated direct conversations with Semitropic had been closed because of constraints governing the use of Raker Act water. Mr. Carlin shared that indirect conversations were now being held with other partners located in the Bay Area to explore this issue with them.

President Normandy asked if a representative from Semitropic was present for comment. No one responded. President Normandy thanked Semitropic for approaching SFPUC and was glad there was still a possibility of working indirectly with them.

Commissioner Caen requested that this topic remain on the Old/Ongoing Business to be before the Commission at all times. President Normandy concurred. He requested that quarterly updates be provided on a regular basis. Mr. Carlin agreed to do this.

Commissioner Brooks asked how San Francisco ranks in the priorities of pulling water from the source during droughts.

Mr. Carlin answered SFPUC was third in line on the Tuolumne River after the Modesto and Turlock Irrigation Districts. He stated a set amount of water from the overflows was stored in Hetch Hetchy and transported to the Bay Area, but during dry years there was very little water for this. Mr. Carlin further explained that the local watershed water could be utilized by the SFPUC during a dry year, but a supplemental supply should also be available.

8. Public Comments on matters not on today's agenda.

Mr. John Jenkel, Center for the Preservation of Horses, asked the Commission to revisit the SFPUC's Calpine contract and stated it deserved to be cancelled for lack of public comment. Mr. Jenkel stated this would save the City over \$50 million and allow the collection of damages from Enron. Mr. Jenkel also questioned the appointment of Commissioner Brooks and asked him to resign so that "Mayor for an hour" Chris Daly's appointment of Robin Chiang could proceed.

CONSENT CALENDAR

9. Moved by Commissioner Caen, seconded by Commissioner Werbach, to adopt the items (a-c) listed under the Consent Calendar; passed (5-0) unanimously.

- a) Resolution No. 03-0242: Approve the rejection of all bids for Contract No. WD-2349, Thomas Shaft Water Supply Improvement, and authorize the General Manager of Public Utilities to re-advertise the contract as Contract No. WD-2349R, Thomas Shaft Water Supply Improvement; to receive and evaluate bids. The engineer's estimate is \$1,130,529.
- b) Resolution No. 03-0243: Award Contract No. WD-2377, Mason, Chestnut and Valparaiso Streets 8-Inch Ductile Iron Main Installation, in the amount of \$524,215 to J. Flores Construction.
- c) Resolution No. 03-0244: Accept work performed for Contract No. WD-2376, South Van Ness Avenue 8-Inch Ductile Iron Main Installation, approve Modification No. 1 (Final) decreasing the contract by \$184,438.52, for a final contract amount of \$1,272,756.48, and authorize final payment of \$103,840.30 to Ranger Pipelines, Inc.

REGULAR CALENDAR

10. Discussion and possible action related to contract action approval practices.

Ms. Wendy Iwata, Manager of Contract Services, presented the final policy recommendation regarding modifying Commission contract policies to include the following: 1) Consent Calendar - Remove advertising approval and to put on all emergency declarations, all awards for CIP contracts under \$5 million, close-outs under \$5 million, and routine water and sewer agenda items, and 2) Regular Calendar - Modifications exceeding 10% and close-outs over \$5 million.

President Normandy stated staff had taken the direction that the Commission had provided them and hoped that this new policy would simplify the process and allow the CIP to move forward expeditiously.

Moved by Vice President Costello, seconded by Commissioner Brooks to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0245: Approve and authorize the General Manager of Public Utilities to implement an SFPUC staff proposal to modify current Commission contract action approval practices by using a combination of a General Manager's Report, the consent calendar, and the regular calendar to approve contract actions.

Mr. Kelly left the dais at 10:43 A.M. for the speaker's podium.

11. Discussion and possible action related to a supplemental appropriation to fund the Program Environmental Impact Report.

Mr. Kelly stated a Program EIR was necessary; therefore, money needed to be reappropriated to support this. President Normandy stated there was no change in the bottom-line figures and that this work was necessary to move the CIP forward. President Normandy asked Mr. Werbach, as point person on environmental issues, if he had any comments regarding this agenda item.

Commissioner Werbach stated he supported a Program EIR, but suggested staff look at alternatives and encouraged this as a priority.

Commissioner Brooks stated that the law required alternatives to be considered.

Commissioner Caen added she also supported this and commended Mr. Kelly for bringing this to the Commission.

Moved by Commissioner Caen, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0246: Approve the supplemental appropriation to reallocate \$4,677,000 from existing projects to fund the approved Program Environmental Impact Report

(PEIR), and the required staff in SFPUC and City Planning to work on the PEIR and program planning efforts.

12. Discussion and possible action related to a supplemental appropriation to increase the Infrastructure Department's operating budget.

Mr. Kelly stated more hiring was needed, but the CIP was facing a space problem; therefore, he was asking for funds to rent four floors next to SFPUC's main office. Mr. Kelly noted his close working relationships with other City Departments, citing the electronic time card system and project control system from the Department of Public Works (DPW), the DBE Program that identified opportunities for local businesses from the Human Rights Commission (HRC), and expediting the hiring process through the Department of Human Resources (DHR). He stated the supplemental also requested two additional positions.

Commissioner Caen asked Mr. Kelly what SFPUC was seeking from the Airport. Mr. Kelly replied he was seeking staff from the Airport and bringing them on board through work orders and eventually transitioning them to the CIP. He stated with the Airport downsizing, the SFPUC was helping to avoid lay-offs.

Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Mr. Kelly returned to the dais from the speaker's podium at 10:55 AM.

Resolution No. 03-0247: Approve the supplemental appropriation to increase the operating budget for the Infrastructure Department by \$3,642,301 to lease office space at 1145 Market St., issue work orders to other City departments for continued implementation of the Capital Improvement Program, and to fund two new management positions under the proposed reorganization for the Infrastructure Department.

13. Discussion and possible action related to a supplemental appropriation for the SFPUC/East Bay Municipal Utilities Intertie Project.

Mr. Carlin gave a brief overview of the Intertie project and explained that this appropriation was for a second intertie with East Bay Municipal Utilities District (EBMUD). He explained that the public expects the water systems to be connected and that although the intertie agenda item was written up for emergency purposes, the intertie could have alternative uses in the future.

Commissioner Werbach asked what the alternative uses could be. Mr. Carlin replied it could be used for a conjunctive use project with EBMUD and during a dry

year, it might be possible to get water through the Delta and EBMUD into San Francisco.

President Normandy commented on the positive aspects from the first intertie with the SCVWD. Mr. Carlin agreed and explained how SFPUC was able to help SCVWD with their service when they had to shut down their treatment plants. Mr. Carlin stated SFPUC wanted the same type of benefit with the EBMUD interties and that this was a key system benefit.

Commissioner Caen asked if this was part of the 77 projects and if the project would take money away from one of the 77. Mr. Carlin replied this project was not part of the 77 projects, but stated the funds would be coming out of the contingency fund. He noted the project was also now part of the CIP.

Commissioner Werbach asked Mr. Carlin to comment on redundancy in the system and how this related to the interties. Mr. Carlin explained that redundancy meant reliability, increased capacity, and risk-reduction. He stated the interties were Bay Area-wide redundancies to reduce risk.

Commissioner Werbach asked if this intertie would provide additional local redundancy. Mr. Carlin replied the intertie would provide more regional redundancy. He stated SFPUC did not have redundancy yet, and if an earthquake took out any of the water systems, the unaffected interconnecting ones would be able to support the one taken out.

Commissioner Werbach stated he supported this project and was concerned about too much redundancy and would talk with Mr. Carlin in the future about redundancy as a general issue with the SFPUC projects.

Moved by Commissioner Werbach, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0248: Approve the supplemental appropriation of \$8,400,000 from the 2002 Proposition A Bond Fund for the SFPUC/East Bay Municipal Utilities District Intertie Project.

14. Discussion and possible action related to a supplemental appropriation for four LM 6000 Gas Turbine Generator sets.

Mr. Ralph Hollenbacher, Manager of Power Plant Development, stated as a result of the Williams settlement, the City received some funding to be used for a power plant. He stated the funds were spread out over 8 years and there was \$2.667 million available as of January 1, 2004, that needed to be appropriated in order to have access to it.

Commissioner Brooks asked if the sites have been identified. Mr. Hollenbacher stated one site was being worked on at present and that other sites were being reviewed. He stated the primary site was on the Mirant property at the Potrero Power Plant site, adjacent to the substation.

President Normandy asked about controversy regarding the proposed sites. Mr. Hollenbacher replied SFPUC would go through a full CEQA process to resolve the issue and that this fell under the jurisdiction of the California Energy Commission (CEC).

Commissioner Werbach asked when the siting decision would come before the Commission. Mr. Hollenbacher replied possibly in February when there was a land option to approve.

President Normandy asked if this would trigger the CEQA. Mr. Hollenbacher affirmed this.

Commissioner Werbach stated, for clarification purposes, that the agenda item did not choose a site. Mr. Hollenbacher affirmed this.

Moved by Commissioner Caen, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0249: Approve the supplemental appropriation for second installment \$2,666,667 from escrow account for the development of a generating facility using four LM 6000 Gas Turbine Generator sets in the City. Appropriation shall be effective when funds are deposited in an escrow account by the Attorney General of the State of California (the "Attorney General pursuant to the Settlement Agreement with the Williams Companies, Inc.; and Williams Energy Marketing & Trading Company and other named parties entered as of November 11, 2002 (the "Settlement Agreement)"). These shall be those funds designated as Receipt date January 1, 2004.

LEASES AND PERMITS

15. Discussion and possible action related to a lease at 1145 Market Street.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0250: Authorize the General Manager of Public Utilities to approve a four-year lease with two five-year options

for office space located at 1145 Market Street comprising approximately 30,790 sq. ft. on Floors 1, 4, 8 and 10.

President Normandy commented the two CIP-related agenda items validated the Commission's position that even with a program management consulting team in place, jobs were not at risk at the SFPUC, and that in fact, jobs were being created, alleviating the lay-off situation in other City Departments.

CONSTRUCTION CONTRACTS

Amend

16. Discussion and possible action related to Contract No. HH-903.

Ms. Tracy Cael, Program Management Bureau Manager, stated the transfer amount was needed because of unexpected delays and discoveries. Ms. Cael explained the shutdown of the Hetch Hetchy system was delayed for 16 days because of warm weather. She explained the geotechnical investigation specified that competent rocks be in the reservoir. She stated when the excavation was performed, the work crew discovered weathered rock and more clay soil than anticipated.

President Normandy confirmed that the resolution before the Commission was an offshoot of work already done on the site and the resulting discoveries that were not visible when the project first came before the Commission. Ms. Cael explained that there was water in the reservoir at the time the estimates were done.

President Normandy stated the resolution was originally presented as an emergency declaration. He questioned whether this was a bonafide emergency and after consultations with Mr. Kelly and Deputy City Attorney George Wong, it was decided that this would be put on the regular calendar. President Normandy also stated that it was his understanding that the \$4.7 million was not the real number and was expecting the final figure to be less. Ms. Cael affirmed this.

Commissioner Caen stated her concern was that the resolution was 56% of the total construction costs and asked how this could be alleviated in the future. Mr. Kelly stated this project was a unique project that did not allow SFPUC to test the soil. He explained that once the contractor started excavating, they identified a different soil condition, which meant the contractor had to excavate a wider trench along the entire length of the pipeline. He stated the volume of solids excavated increased ten-fold. Mr. Kelly further explained the lesson learned was that site conditions needed to be checked better, but it was not possible in this case because Hetch Hetchy didn't want the contractors to do boring samples and affect the drinking water.

President Normandy thanked Mr. Wong for accommodating his request to make the resolution for regular business instead of an emergency resolution, and asked that in the future, staff be very careful about how emergency declarations were used.

Moved by Commissioner Brooks, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0251: Authorize the General Manager of Public Utilities to request that the Controller approve a surplus transfer in the amount of \$4.9 million to fund Contract No. HH - 903, Priest Reservoir Bypass - Pipeline. Funding will be transferred from Project No. CUH762 - San Joaquin Pipeline Repairs (\$2.4 million) and Project No. CUH950 - Penstock Renovations - KPH/MPH (\$2.5 million) to Project No. CUH703, Priest Reservoir Bypass.

Authorize the General Manager of Public Utilities to negotiate modifications and enter into the modified contract up to an amount not to exceed \$4.7 million.

PROFESSIONAL SERVICE CONTRACTS

Advertise

17. Discussion and possible action related to PS-101.

Ms. Paula Kehoe, Chief of Staff to the General Manager, stated her item was for three types of services: 1) provide bottled water to City Departments, 2) provide bottled water to retail outlets, and 3) provide supplemental drinking water in the event of a temporary disruption in supply.

President Normandy noted the proposal was for a sustainable project and that SFPUC would not be out of pocket. He further stated it had the potential as a revenue source of at least 5% of the commission.

Mr. Kelly was excused from the dais at 11:24 A.M when Ms. Martel arrived at the meeting.

Commissioner Werbach stated he was excited about the project, but had the following concerns: 1) low retail cost since San Franciscan's were already paying for the water, 2) a solid waste plan for recycling, and 3) use of the sales commission as a marketing tool, such as providing the profits to the school district or restoring the Hetch Hetchy watershed. Commissioner Werbach stated the

bottled water should offer a wonderful statement of what San Francisco has to offer.

President Normandy asked if the Commission was in a time-sensitive situation regarding the item. Ms. Kehoe replied "no."

Ms. Martel stated it was not the intent of the bottled water program to mass market the water, but to make it available for City departments and a few other venues. She stated there was a limited amount of water available for bottling and the bottled water program was considered a second business.

President Normandy requested that the item be continued to a future meeting so that Commissioners Werbach and Brooks could be briefed on the program. He stated after further discussion amongst the Commissioners, it was decided to bring the matter before the Commission on January 13, 2004.

Moved by Commissioner Werbach, seconded by Commissioner Brooks, to continue the following item to the regularly scheduled meeting of January 14, 2004; passed (5-0) unanimously.

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for PS-101, Bottled Water Services, receive proposals for said professional services agreements, conduct a selection process to identify the best qualified firms to provide/assist bottled water services, and return to the Commission for award and authorization to negotiate professional services agreements.

18. Discussion and possible action related to Agreement No. 748A, No. CS-748B and No. CS-748C.

Ms. Julie Labonte, Infrastructure Development Manager, presented information on Items 18 and 19, giving an overview of the Clean Water Master Plan (CWMP) RFPs. She started by providing a history of the sewer system.

Ms. Labonte stated the first brick sewers in the City were built in 1850. She stated there were two early master plans: 1) The 1899 plan focused on the use of a combined sewer system and the discharge of untreated sewage into the Bay or ocean, and 2) The 1935 plan recommended the construction of separate treatment facilities for 3 natural basins in the City (Western, Northeast, and Southeast). She further stated the first treatment facility was operational in 1938 (Sunset/Richmond) and the other two facilities (Southeast and Northpoint) were built in the early 1950's.

Ms. Labonte stated the last comprehensive master plan was conducted in 1971 and was regulatory driven because of the passage of the Clean Water Act. She stated the program was completed in 1997 at a cost of \$1.4 billion, noting that over half of the funding came from State and Federal grants and low-interest loans. The 1971 plan included an upgrade of the Southeast Plant and construction of the Oceanside Plant, a 4.5-mile ocean outfall, and large transport/storage structures.

Ms. Labonte stated the new CWMP would develop a 30-year long-term strategy for the City's wastewater and storm water. She stated it would address the systems deficiencies, find solutions to the odor problems, incorporate innovative technology with greener approaches, anticipate and identify future regulatory requirements, and maximize system reliability and flexibility.

Ms. Labonte stated the new CWMP would include 3 interdependent programs:

- 1) Planning and Engineering Program (PEP) would assess the needs and identify and evaluate project alternatives. Staff would work with the Department of Environment (DOE), the Department of Public Health (DPH), and the Technical Review Committee (TRC). PEP results would eventually lead to a Clean Water Facilities Plan and a Clean Water Financial Plan.
- 2) Public Participation Program (PPP) would be a transparent program that would not be selling specific project findings or promoting staff preferences.
- 3) Environmental Review Program (ERP) would conduct the State mandated environmental review.

Ms. Labonte stated she envisioned a program led by City staff working with consultants to provide expertise. She expected that the CWMP would lead to the development of the Clean Water Capital Improvement Program (CWCIP) to be implemented over the next 30 years.

Ms. Labonte further explained the PEP would consider study improvements for the collection system, combined sewer overflow, alternatives to Bay discharges, combined vs. separate sewers, centralized vs. decentralized treatment, odor control, biosolids management, and other unconventional and innovative treatment technologies.

President Normandy stated that recouping as much water as possible from all the processes should be high on the objectives list.

Ms. Labonte elaborated on the PPP, stating that stakeholders would be involved in the decision-making process that would develop the 30-year CWCIP. Along with promoting City-wide involvement, Ms. Labonte stated environmental justice issues would be addressed and consensus must be built among stakeholders on the

capital improvements needed. She stated the Citizens Advisory Committee (CAC) would also be involved.

Ms. Labonte presented a Project Team/Organization Chart showing the interrelationships between all the parties involved in the CWMP. Headed by Ms. Labonte, SFPUC departments would have leaders in each program: Water Pollution Control would provide an engineer to head the PEP, Communications would head the PPP, and Strategic & Systems Planning would head the ERP. She stated two additional project managers would assist and a Project Steering Committee would be chaired by the General Manager of Public Utilities. She stated the chart also showed the involvement of the TRC and the CAC.

Ms. Labonte next presented the Programmatic Schedule, explaining the CWMP would take about 3 years to complete. She stated the PEP and PPP would start in June 2004 and all project deliverables should be completed in June 2007.

Ms. Labonte finished her presentation with a review of the Project Budget and Funding, which showed a summary of all project costs, estimating that a third of the costs would fund internal City resources. She stated the PEP contracts would not exceed \$6 million and the PPP would not exceed \$2 million. Ms. Labonte explained there was \$4 million available to start the program, which should fund the first 9 months of the CWMP. She stated additional funding was needed for the first quarter of 2005.

President Normandy thanked Ms. Labonte for an excellent presentation and noted it is clear that a lot that was learned from the water CIP was applied to the CWMP, leading to a more efficient process. He stated he was pleased that the PEP would be a true participation process and that overall, internal staff were being relied on more than consultants. He reiterated that a top priority should be recovering as much water as possible to make up for the 20% shortfall, taking into account costs and policy changes regarding ocean discharges.

Ms. Labonte acknowledged President Normandy's concerns and stated there were already planning meetings occurring and that efforts were being made to integrate the findings of the various master planning efforts.

Commissioner Caen stated she was concerned with the 3-year process to come up with the CWMP, noting the Southeast sector of the City had been saddled with clean water problems for many years, and asked if the process could be further expedited.

Ms. Labonte replied the technical analysis and outreach would take 18 months and the EIR would take another 18 months. She stated the facilities plan would not be technically final until the EIR was complete. Ms. Labonte stated there were a number of projects going on presently in the Bayview to alleviate some of the

immediate needs such as odor control problems. She stated the Northpoint project was also being accelerated to meet some of the more pressing needs.

President Normandy suggested the Commission vote on Items 18 and 19 at the same time.

Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0252: Authorize the General Manager of Public Utilities to advertise and request proposals for Agreement No. 748A, No. CS-748B and No. CS-748C, three Clean Water Master Plan Planning and Engineering Services Agreements, receive proposals for said professional services agreements, conduct a selection process to identify the best qualified consulting firms to provide the specified professional planning and engineering services, and return to the Commission for approval to negotiate and execute the three professional services agreements.

19. Discussion and possible action related to Agreement No. 749.

Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0253: Authorize the General Manager of Public Utilities to advertise and request proposals for Agreement No. 749, Clean Water Master Plan Public Participation Services Agreement, receive proposals for said professional services agreement, conduct a selection process to identify the best qualified consulting firm to provide the specified professional public participation services, and return to the Commission for approval to negotiate and execute the professional services agreement

Award

20. Discussion and possible action related to Agreement No. CS-721.

Ms. Suzanne Arena, Manager for Government Affairs, stated a federal or state lobbyist could help develop a realistic legislative agenda as they are more in tune with the political realities in Washington, D.C. and Sacramento. She stated a lobbyist could secure legislative and budgetary sponsors and also represent the SFPUC at impromptu coalition meetings where advance notice was not provided

or required. Ms. Arena explained there were numerous federal regulations that affect the SFPUC.

Ms. Arena stated 9 excellent proposals were received and that after review by the selection panel, the 3 highest ranked firms were interviewed. She stated Darryl Owens Associates (DOA), representative for SFPUC for 9 years, was ranked number 1.

Commissioner Brooks asked if any of the unsuccessful firms were debriefed on why they were not selected. Ms. Arena stated she did not believe this had been requested, but would confer with the contracts staff on this.

Commissioner Brooks asked if the major criteria in the selection process were the contractors past performance and their relationship with legislators. Ms. Arena answered that a key consideration was a firm's understanding of the SFPUC's priorities in terms of legislative assistance at the regulatory and legislative level.

President Normandy asked two questions: 1) Could the selected firm reach both the Republican and the Democratic sides of the legislature? and 2) What consideration was given to local participation? President Normandy commented that one of the shortcomings that prompted the Commission to revisit the contract was the lack of timely updates from the consultant. He was also concerned that there be enough local representation to provide more instant interactions with staff.

Ms. Martel stated that in the two years she has been with the SFPUC, she felt DOA worked highly effectively with both parties in Congress. She stated she was also pleased that DOA had a WBE that worked locally as part of the team. She stated the WBE subcontractor also worked in Sacramento; therefore, issues could be coordinated at a state and national level.

Commissioner Brooks asked who the local WBE was. Ms. Martel replied it was Chris Roberts.

Commissioner Brooks asked if DOA met WBE participation goals in their prior contract. Ms. Arena and Ms. Martel both answered they didn't know for sure, but could get this information.

Ms. Arena stated that, in the last contract, there was a 3-month lapse because one of the subcontractors backed out and was not replaced immediately.

President Normandy stated this information should be provided.

Public Comment:

Mr. Andrew Sun, Jefferson Government Relations (JGR), stated his firm was one of the 3 interviewed and was one of the original bidders for the contract. He stated

that research was done on the effectiveness of the current consultant. He also stated the climate had changed in Washington, D.C., noting that all three major branches of government were not favorable to the interests of the City. He stated SFPUC needed representation that could work with both sides of the aisle and that one of the members of the JGR team was the recently retired Chair of the House of Representatives Subcommittee on Water and Power.

Mr. Sun further stated JGR was disappointed with the bidding process, explaining JGR originally met all the RFP requirements, but that all 11 proposals were rejected because 9 of the proposals didn't submit the appropriate forms. He stated the RFP was rebid with an extended deadline date. Mr. Sun stated while JGR was not questioning the process, they were questioning whether or not the process was open. Mr. Sun also stated their team recently negotiated the San Diego Water Contract with the Colorado River.

Ms. Arena clarified that only 3 of the original 11 proposals contained the appropriate forms acknowledging their local partnerships with MBE/WBE firms. She stated because the spirit of the MBE/WBE law was met, staff concluded, and the Commission agreed, that there must have been a miscommunication. She stated as a result, all the original proposals were rejected and the RFP was readvertised so that SFPUC could consider the largest amount of qualified proposals.

Ms. Martel added the interview panel included representatives from other utility agencies to utilize their expertise and insight on lobbyists and the requirements needed to effectively represent the SFPUC.

President Normandy stated that most firms who present proposals have fairly equal types of expertise and knowledge, but that other less defined factors come into play, such as the ability of staff to work with a specific firm, chemistry, and past performance. President Normandy asked staff to make a declarative statement that all processes have been followed to the letter and that it was staff's best judgment that made the recommendation that it did. Mr. Arena affirmed this.

President Normandy asked if the General Manager had leeway to explore extending the resources of the contract beyond the firms that had bid and explore further relationships with firms who might be able to bring further resources to the Commission.

Commissioner Brooks stated that he had never seen a single lobbying firm that could do everything. He stated he hoped DOA would reach out to other firms to fill any gaps, as he had seen other firms do.

Ms. Martel replied that as the CIP moved forward, there might be other areas of opportunity and stated the contract could be amended to bring on additional resources if it became necessary.

President Normandy urged the Commission to make a statement to staff that the door be kept open to the other firms with the possibility of bringing them in on an as-needed basis.

Commissioner Brooks stated he hoped the staff would debrief the firms who did not win the contract. Ms. Arena agreed to this.

President Normandy gave direction from the Commission to keep the door open and a line of communication open with all the bidding firms, particularly the finalists. All the Commissioners concurred with this.

Moved by Commissioner Brooks, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0254: Approve the selection of Daryl Owen Associates, Inc. for Agreement No. CS-721, Legislative Representation and Advocacy Services for the SFPUC, to provide legislative representation and advocacy services for the SFPUC before Congress and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement for an amount not to exceed \$275,000 annually with an option to extend the agreement for two additional years with Commission approval.

21. Discussion and possible action related to Agreement No. CS-723.

Moved by Commissioner Werbach, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0255: Approve the selection of Edelstein and Gilbert for Agreement No. CS-723, Legislative Representation and Advocacy Services for the SFPUC, to provide state legislative representation and advocacy services for the SFPUC for an amount not to exceed \$150,000 a year with an option to extend the agreement for two additional years at the Commission's discretion, and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement.

Amend

22. Discussion and possible action related to Amendment No. 1 to Agreement No. CS-672 F.

Moved by Commissioner Brooks, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0256: Approve Amendment No. 1 to Agreement No. CS-672 F, Environmental Monitoring for Hetch Hetchy Water Treatment Project - Chloramine Conversion with ESA+Orion Joint Venture (composed of Environmental Science Associates and Orion Associates), and authorize the General Manager of Public Utilities to execute this amendment by increasing the agreement by \$55,000, for a total agreement amount of \$400,000, with no time extension.

CLOSED SESSION

23. Public comments on matters to be discussed in Closed Session.

There were none.

24. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Vice President Costello, seconded by Commissioner Werbach, to assert the attorney-client privilege; passed (5-0) unanimously.

The Public Utilities Commission met in Closed Session at 12:32 P.M. to discuss the following matters:

25. Conference with Legal Counsel - Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Ann Moller Caen, Commissioner Adam Werbach, Commissioner Ryan L. Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Assistant Secretary Janet Elliott.

Existing Litigation: Unlitigated Settlement for State Farm Insurance/Insured: Mark & Clementina Hoffman; Unlitigated Claim No. 04-00385.

Moved by Commissioner Caen, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0257

26. Conference with Legal Counsel - Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Ann Moller Caen, Commissioner Adam Werbach, Commissioner Ryan L. Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Assistant Secretary Janet Elliott.

Existing Litigation: SBC - Pacific Bell; Claim No. 04-00127

Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0258

27. Closed session pursuant to Government Code Section 54957 to discuss the performance evaluation of General Manager Patricia E. Martel.

Present were President Normandy, Vice President Costello, Commissioner Ann Moller Caen, Commissioner Adam Werbach, Commissioner Ryan L. Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Assistant Secretary Janet Elliott.

Moved by President Normandy, seconded by Vice President Costello, to continue Item 27 to the next regularly scheduled meeting on January 13, 2004; passed (5-0) unanimously.

Following the Closed Session, the Commission reconvened in open session at 12:35 P.M.

28. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

29. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Costello, seconded by Commissioner Brooks, not to disclose the discussions during Closed Session; passed (5-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 12:36 P.M.

Mary Y. Jung
Secretary

